

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

**Consolidated and Combined Financial Statements  
(With Supplementary Information)  
and Independent Auditor's Report**

**June 30, 2021**

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

## Index

|  | <u>Page</u> |
|--|-------------|
| Independent Auditor's Report                                 | 2           |
| Consolidated and Combined Financial Statements               |             |
| Consolidated and Combined Statement of Financial Position    | 4           |
| Consolidated and Combined Statement of Activities            | 5           |
| Consolidated and Combined Statement of Changes in Net Assets | 6           |
| Consolidated and Combined Statement of Functional Expenses   | 7           |
| Consolidated and Combined Statement of Cash Flows            | 8           |
| Notes to Consolidated and Combined Financial Statements      | 9           |
| Supplementary Information                                    |             |
| Consolidating Statement of Financial Position                | 30          |
| Consolidating Statement of Activities                        | 31          |
| Combining Statement of Financial Position - Housing Entities | 32          |
| Combining Statement of Activities - Housing Entities         | 33          |

## Independent Auditor's Report

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

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, 2021, and the related consolidated and combined statements of activities, changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the consolidated and combined financial statements.

### *Management's Responsibility 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; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated and combined financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated and combined financial statements based on our audit. We did not audit the financial statements of a certain consolidated entity as of June 30, 2021, which statement reflects total assets of \$3,409,267 and total change in net assets of \$139,464 of the related consolidated and combined financial statements total for the year 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated and combined financial statements are free from material misstatement.

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

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

### *Opinion*

In our opinion, 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, 2021, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Restatement*

The consolidated and combined financial statements of Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates as of and for the year ended June 30, 2020, before the restatement described in Note 20, were audited by another auditor, whose report dated May 10, 2021, included an emphasis-of-matter paragraph that described the adoption of Accounting Standards Update 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* and ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash* discussed in Note 2 to the 2020 consolidated and combined financial statements, and expressed an unmodified opinion on those statements.

As part of our audit of the June 30, 2021 consolidated and combined financial statements, we also audited the adjustments described in Note 20 that were applied to restate the 2020 consolidated and combined financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 consolidated and combined financial statements of the entity other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 consolidated and combined financial statements as a whole.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The accompanying supplementary information on pages 30 to 33 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.

*CohnReznick LLP*

New York, New York  
July 07, 2022

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

**Consolidated and Combined Statement of Financial Position  
June 30, 2021**

Assets

|   |               |
|---|---------------|
| Cash                                    | \$ 4,681,065  |
| Accounts receivable, net                | 403,755       |
| Receivables from related parties        | 3,005,080     |
| Other receivables                       | 319,670       |
| Government grant receivable, net        | 4,132,644     |
| Prepaid expenses                        | 263,815       |
| Restricted deposits and funded reserves | 2,670,122     |
| Tenant deposits held in trust           | 213,713       |
| Utility deposits                        | 47,765        |
| Other intangibles, net                  | 128,225       |
| Fixed assets, net                       | 68,904,693    |
| Other noncurrent assets                 | 80,634        |
|   | <hr/>         |
| Total assets                            | \$ 84,851,181 |
|   | <hr/>         |

Liabilities and Net Assets

|  |               |
|--|---------------|
| Liabilities  |               |
| Accounts payable   | \$ 1,300,448  |
| Accrued expenses   | 1,338,374     |
| Accrued interest payable   | 1,626,927     |
| Tenant deposits held in trust                                      | 238,083       |
| Accrued construction costs   | 50,000        |
| Asset management fees payable                                      | 48,658        |
| Due to related parties and affiliates                              | 43,741        |
| Unearned and deferred rent   | 16,021        |
| Mortgages and loans payable, net of unamortized debt issuance cost | 49,167,789    |
|  | <hr/>         |
| Total liabilities  | 53,830,041    |
|  | <hr/>         |
| Net assets   |               |
| Without donor restrictions - controlling                           | 7,669,230     |
| Without donor restrictions - noncontrolling                        | 20,705,841    |
| With donor restrictions  | 2,646,069     |
|  | <hr/>         |
| Total net assets   | 31,021,140    |
|  | <hr/>         |
| Total liabilities and net assets                                   | \$ 84,851,181 |
|  | <hr/>         |

See Notes to Consolidated and Combined Financial Statements.

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

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

|   | <u>Without Donor<br/>Restrictions</u> | <u>With Donor<br/>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>                |
| <br>Total revenue                               | <br><u>23,498,862</u>                 | <br><u>(458,984)</u>               | <br><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>        |
| <br>Total program services                      | <br>19,975,738                        | <br>-                              | <br>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>          |
| <br>Total supporting services                   | <br><u>3,268,636</u>                  | <br><u>-</u>                       | <br><u>3,268,636</u>    |
| <br>Total expenses                              | <br><u>23,244,374</u>                 | <br><u>-</u>                       | <br><u>23,244,374</u>   |
| <br>Change in net assets                        | <br><u>\$ 254,488</u>                 | <br><u>\$ (458,984)</u>            | <br><u>\$ (204,496)</u> |

See Notes to Consolidated and Combined Financial Statements.

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

**Consolidated and Combined Statement of Changes in Net Assets  
Year Ended June 30, 2021**

|  | Without donor restrictions |                | With donor   | Total net assets |
|--|----------------------------|----------------|--------------|------------------|
|  | Controlling                | Noncontrolling | restrictions |                  |
| Balance, June 30, 2020, as previously stated | \$ 919,245                 | \$ -           | \$ 3,105,053 | \$ 4,024,298     |
| Restatement                                  | 3,993,319                  | 23,028,019     | -            | 27,021,338       |
| Balance, June 30, 2020, as restated          | 4,912,564                  | 23,028,019     | 3,105,053    | 31,045,636       |
| Contributions                                | -                          | 180,000        | -            | 180,000          |
| Change in net assets                         | 2,756,666                  | (2,502,178)    | (458,984)    | (204,496)        |
| Balance, June 30, 2021                       | \$ 7,669,230               | \$ 20,705,841  | \$ 2,646,069 | \$ 31,021,140    |

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    |                             |                   | 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                              | \$ 5,822,542             | \$ 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            |
| <b>Total personnel costs</b>          | <b>7,121,484</b>         | <b>871,900</b>                     | <b>166,334</b>                                | <b>1,668,857</b>          | <b>519,861</b>              | <b>10,348,436</b>      | <b>2,609,142</b>            | <b>333,795</b>    | <b>13,291,373</b>    |
| 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              |
| <b>Total expenses</b>                 | <b>\$ 9,047,998</b>      | <b>\$ 1,617,842</b>                | <b>\$ 261,211</b>                             | <b>\$ 2,623,669</b>       | <b>\$ 6,425,018</b>         | <b>\$ 19,975,738</b>   | <b>\$ 2,916,951</b>         | <b>\$ 351,685</b> | <b>\$ 23,244,374</b> |

See Notes to Consolidated and Combined Financial Statements.



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

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

|  |                     |
|--|---------------------|
| Cash flows from operating activities   |                     |
| Change in net assets   | \$ (204,496)        |
| Adjustments to reconcile change in net assets to net cash used in operating activities |                     |
| Depreciation and amortization  | 2,512,415           |
| Amortization of debt issuance costs  | 9,648               |
| Bad debt   | 309,391             |
| Changes in operating assets and liabilities  |                     |
| Accounts receivable  | (3,412,068)         |
| Prepaid expenses and deposits  | 81,767              |
| Other assets   | (37,777)            |
| Accounts payable and accrued expenses  | 222,398             |
| Accrued mortgage interest payable  | 242,238             |
| Tenants' security deposits payable   | 2,151               |
| Deferred rent payable  | (575,470)           |
| Due to related party and affiliates  | <u>(58,354)</u>     |
| Net cash used in operating activities  | <u>(908,157)</u>    |
| Cash flows from investing activities   |                     |
| Purchase of fixed assets   | (370,421)           |
| Changes in restricted deposits and other reserves                                      | (271,266)           |
| Changes in utility deposits  | <u>(47,765)</u>     |
| Net cash used in investing activities  | <u>(689,452)</u>    |
| Cash flows from financing activities   |                     |
| Contributions by noncontrolling interest   | 180,000             |
| Repayments of mortgages payable  | <u>(31,026)</u>     |
| Net cash provided by financing activities  | <u>148,974</u>      |
| Net decrease in cash and restricted cash   | (1,448,635)         |
| Cash and restricted cash, beginning of year  | <u>6,343,413</u>    |
| Cash and restricted cash, end of year  | <u>\$ 4,894,778</u> |
| Supplemental disclosure of cash flow information                                       |                     |
| Cash paid during the year for interest   | <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, 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, 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:

| <u>Wholly-Owned Entities</u>                              | <u>Partnership Interest Entities</u>  |
|---|---------------------------------------|
| 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 Corporation | 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 Housing Corporation                                | * Cypress Village Limited Partnership |
| 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                       | *                                     |

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

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

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

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

#### **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, 2021 of limited partner/member equity interest in the nonwholly-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, 2021, the donor-restricted net asset balance was \$2,636,069.

#### **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, 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, 2021, the allowance for doubtful accounts was \$318,237.

### 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 its 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 year ended June 30, 2021.

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

### **Notes to Consolidated and Combined Financial Statements June 30, 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 year ended June 30, 2021 was \$4,226. 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, 2026 is estimated to be \$4,226 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 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, 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, 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.

#### **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, 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, 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.

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 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 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. Accordingly, these financial statements do not reflect provisions for income taxes and 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 have no other tax positions which must be considered for disclosure.

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

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

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

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, 2018 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:

|   |              |
|---|--------------|
| Financial assets at year end  |              |
| Cash  | \$ 4,681,065 |
| Accounts receivable, net  | 403,755      |
| Receivables from related parties  | 3,005,080    |
| Other receivables   | 319,670      |
| Government grant receivable, net  | 4,132,644    |
| Prepaid expenses  | 263,815      |
| Restricted deposits and funded reserves   | 2,670,122    |
| Tenant deposits held in trust   | 213,713      |
|   | <hr/>        |
| Total financial assets  | 15,689,864   |
|   | <hr/>        |
| Less amounts not available to be used within one year                           |              |
| Receivables from related parties  | 3,005,080    |
| Other receivables   | 319,670      |
| Government grant receivable, net  | 4,132,644    |
| Prepaid expenses  | 263,815      |
| Restricted deposits and funded reserves   | 2,670,122    |
| Tenant deposits held in trust   | 213,713      |
|   | <hr/>        |
| Total financial assets not available to be used within one year                 | 10,605,044   |
|   | <hr/>        |
| Financial assets available to meet general expenditures over the next 12 months | \$ 5,084,820 |
|   | <hr/> <hr/>  |

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 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 replacement reserves to be used to fund any major repair, capital expenditures, and replacement of capital items.



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

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

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

|  |            |
|--|------------|
| Replacement reserves                               |            |
| Cypress Homes Housing Development Fund Corporation | \$ 4,846   |
| Cypress West Housing Development Fund Corporation  | 36,247     |
| Cypress Village Limited Partnership                | 68,083     |
| Cypress Corners L.P.                               | 5,081      |
| Cypress Plaza Group                                | 62,962     |
| Cypress Hills Senior Housing LP                    | 260,223    |
| Cypress Pitkin Berriman                            | 30,313     |
|  | <hr/>      |
| Total replacement reserves                         | \$ 467,755 |

In accordance with Partnership, Operating, or Regulatory Agreements, certain entities are required to maintain various reserve and escrow deposits. As of June 30, 2021, the operating reserves, escrow deposits, and other reserves had balances of:

|   |              |
|---|--------------|
| Operating reserves  |              |
| Arlington Apartments Housing Development Fund Corporation | \$ 20,234    |
| Cypress West Housing Development Fund Corporation         | 155,096      |
| Cypress Village Limited Partnership                       | 140,430      |
| Cypress Court Associates L.P.                             | 257,816      |
| Cypress Corners L.P.                                      | 679,897      |
| Cypress Plaza Group                                       | 3,138        |
| Cypress Hills Senior Housing LP                           | 298,858      |
| Cypress Pitkin Berriman                                   | 341,790      |
|   | <hr/>        |
| Total operating reserves                                  | \$ 1,897,259 |
| Escrow deposits   |              |
| Cypress Village Limited Partnership                       | \$ 54,207    |
| Cypress Hills Senior Housing LP                           | 19,805       |
| Cypress Pitkin Berriman                                   | 60,844       |
|   | <hr/>        |
| Total escrow deposits                                     | \$ 134,856   |
| Other reserves  |              |
| Cypress West Housing Development Fund Corporation         | \$ 77,413    |
| Cypress Pitkin Berriman                                   | 92,839       |
|   | <hr/>        |
| Total other reserves                                      | \$ 170,252   |

#### 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 non-interest 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, 2021, the Organization had a net payable of \$43,741 due to related parties.

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

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

### 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 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 2021, the Organization recorded management and development fees of \$2,385,278. As of June 30, 2021, \$2,975,306 remains receivable and is included in receivables from related parties on the accompanying consolidated and combined statement of financial position.

### Due from affiliates

As of June 30, 2021, the Organization had a net receivable of \$29,774 due from related parties, 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, 2021, contributions receivable are included in other receivables on the accompanying consolidated and combined statement of financial position and consist of the following:

|   | Without donor<br>restrictions | With donor<br>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, 2021**

**Note 6 - Property and equipment**

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

|                                   |                      |
|-----------------------------------|----------------------|
| Land                              | \$ 3,913,365         |
| Building and improvements         | 81,250,398           |
| Leasehold improvements            | 456,310              |
| Furniture, fixtures and equipment | 1,640,922            |
| Construction in progress          | <u>3,507,673</u>     |
| Subtotal                          | 90,768,668           |
| Accumulated depreciation          | <u>(21,863,975)</u>  |
| Balance, net                      | <u>\$ 68,904,693</u> |

**Note 7 - Mortgages and notes payable**

As of June 30, 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>6/30/2021</u> |
|--|-----------------------------------|----------------------|----------------------|------------------|
| <b>Cypress Hills Local Development Corporation</b>               |                                   |                      |                      |                  |
| Deutsche Bank  | Working Capital Program           | various              | 11/30/2025           | \$ 120,000       |
| Seachange  | TPT Loan                          | 6.50%                | On demand            | 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        |
| <b>Cypress West Housing Development Fund Corporation</b>         |                                   |                      |                      |                  |
| HPD  | Hills Properties                  | 0.50%                | 1/1/2037             | 656,930          |
| HPD  | Building Improvements             | 0.00%                | 1/1/2042             | 205,426          |
| HPD  | Hills Properties                  | 1.00%                | 9/1/2021             | 1,711,613        |
| HPD  | Building Reserves                 | 0.00%                | 1/1/2042             | 121,005          |
| <b>Cypress Homes Housing Development Fund Corporation</b>        |                                   |                      |                      |                  |
| M&T  | 2966 Fulton Street Renovation     | 6.36%                | 8/1/2023             | 272,012          |
| LISC/HPD   | 2836 Fulton Street Renovation     | 6% on LISC           | Various dates        | 199,999          |
| HPD  | 2966 Fulton Street Renovation     | 0.00%                | 7/24/2033            | 42,000           |
| HPD  | 2966 Fulton Street Rehabilitation | 0.00%                | 7/24/2033            | 69,568           |
| <b>Cypress Pitkin Berriman, L.P</b>                              |                                   |                      |                      |                  |
| Citibank, N.A.   | 2501 Pitkin Avenue                | 5.57%                | 7/25/2049            | 4,990,030        |
| Citibank, N.A.   | 2501 Pitkin Avenue                | 1.00%                | 10/1/2070            | 1,200,000        |
| Deutsche Bank  | 2501 Pitkin Avenue                | 0.00%                | Various dates        | 120,000          |
| CHLDC OCS  | 2501 Pitkin Avenue                | 0.25%                | 7/1/2064             | 375,000          |
| HPD  | 2501 Pitkin Avenue                | 2.70%                | 7/25/2049            | 6,500,000        |
| <b>Arlington Apartments Housing Development Fund Corporation</b> |                                   |                      |                      |                  |
| HTFC   | New Construction                  | 12.00%               | 1/5/2030             | 340,573          |
| <b>Cypress Corners L.P.</b>                                      |                                   |                      |                      |                  |
| HPD  | Article 8 Loan and CDBG Loan      | 1.00%                | 6/1/2036             | 1,345,114        |
| HPD  | HOME Loan                         | 0.00%                | 6/1/2036             | 1,957,751        |

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

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

| <u>Lender</u> | <u>Project</u>  | <u>Interest rate</u> | <u>Maturity date</u> | <u>6/30/2021</u>     |
|---------------|---|----------------------|----------------------|----------------------|
|               | <b>Cypress Plaza Group, L.P</b>                           |                      |                      |                      |
| Frderal OCS   | Capital Improvements                                      | 10.00%               | 5/1/2040             | 162,260              |
| HDC           | Capital Improvements                                      | 0.25%                | 5/1/2040             | 2,654,127            |
| Capital One   | Capital Improvements                                      | 4.82%                | 5/1/2025             | 600,311              |
|               | <b>Cypress Court Associates, L.P.</b>                     |                      |                      |                      |
| HPD           | Mortgage Agreement  | 0.00%                | 3/29/2030            | 1,363,310            |
| HPD           | HOME Loan   | 0.00%                | 3/29/2030            | 2,372,457            |
| HPD           | CDBG Loan   | 0.00%                | 3/29/2030            | 310,000              |
| HPD           | Article 8 Loan  | 1.00%                | 3/29/2030            | 1,277,477            |
|               | <b>Cypress Village Limited Partnership</b>                |                      |                      |                      |
| CPC           | Property Acquisition and Improvements                     | 4.65%                | 10/1/2045            | 963,564              |
| HPD           | Property Acquisition and Improvements                     | 0.00%                | 10/2/2045            | 1,500,000            |
| HPD           | Property Acquisition and Improvements                     | 0.00%                | 10/3/2045            | 1,145,931            |
| HPD           | Property Acquisition and Improvements                     | 0.00%                | 10/4/2045            | 1,500,000            |
| HPD           | Property Acquisition and Improvements                     | 1.00%                | 10/1/2045            | 289,069              |
|               | <b>Cypress Hills Child Care Corporation</b>               |                      |                      |                      |
| LISC          | Expansion of Programs and Admin Offices 3285-87 Fulton St | 6.00%                | 10/1/2021            | 1,168,908            |
| DCC           | Expansion of Programs and Admin Offices 3285-87 Fulton St | 4.72%                | 6/20/2024            | 278,696              |
| PPP           | Child Care  | 1.00%                | 2 yrs from disb      | 369,023              |
|               | <b>Cypress Hills Senior Housing LP</b>                    |                      |                      |                      |
| HUD           | Senior Housing Project                                    | 0.00%                | 4/1/2057             | 8,541,800            |
| HPD           | Supportive Housing Loan Program                           | 0.00%                | 4/10/2074            | 3,142,826            |
|               | Total loans payable                                       |                      |                      | 58,925,064           |
|               | Less loans eliminated upon consolidation                  |                      |                      | (9,199,060)          |
|               | Less unamortized debt issuance costs                      |                      |                      | (558,215)            |
|               |   |                      |                      | <u>\$ 49,167,789</u> |

During the year ended June 30, 2021, total interest expense was \$645,584, inclusive of amortization of debt issuance costs of \$9,648. As of June 30, 2021, accrued interest of \$1,626,927 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.

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

|                                       |    |                   |
|---------------------------------------|----|-------------------|
| June 30, 2022                         | \$ | 1,415,866         |
| 2023                                  |    | 489,865           |
| 2024                                  |    | 261,587           |
| 2025                                  |    | 617,094           |
| 2026                                  |    | 136,995           |
| Thereafter                            |    | <u>46,804,597</u> |
| Total                                 |    | 49,726,004        |
| Less: Unamortized debt issuance costs |    | <u>(558,215)</u>  |
| Balance, net                          | \$ | <u>49,167,789</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, 2021, there was no outstanding principal and accrued interest due.

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

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

#### 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 year ended June 30, 2021, the property management fee expense was \$223,093.

#### 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:

|   | <u>Percentage<br/>owned</u> | <u>Investment<br/>balance</u> |
|---|-----------------------------|-------------------------------|
| Investment in Chestnut Commons Apartments LLC | 0.004%                      | <u>\$ -</u>                   |

The following is a summary of the financial position of Chestnut Commons Apartments LLC accounted for on the equity method:

|             |                      |
|-------------|----------------------|
| Assets      | <u>\$ 83,015,173</u> |
| Liabilities | <u>\$ 79,520,432</u> |
| Equity      | <u>\$ 3,494,741</u>  |

As of June 30, 2021, 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, 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).

**Note 12 - Investments in marketable securities**

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

| Operating Partnership          | Description                        | Cost              | Unrealized gain (loss) | Fair market value |
|--------------------------------|------------------------------------|-------------------|------------------------|-------------------|
| Cypress Corners L.P.           | Equity securities                  | \$ 128,353        | \$ 23,346              | \$ 151,699        |
| Cypress Corners L.P.           | Available-for-sale debt securities | 535,648           | (2,369)                | 533,279           |
|                                | Total                              | <u>\$ 664,001</u> | <u>\$ 20,977</u>       | <u>\$ 684,978</u> |
|                                |                                    |                   |                        |                   |
| Operating Partnership          | Description                        | Cost              | Unrealized gain (loss) | Fair market value |
| Cypress Court Associates, L.P. | Equity securities                  | \$ 47,417         | \$ 9,482               | \$ 56,899         |
| Cypress Court Associates, L.P. | Available-for-sale debt securities | 199,085           | 1,832                  | 200,917           |
|                                | Total                              | <u>\$ 246,502</u> | <u>\$ 11,314</u>       | <u>\$ 257,816</u> |

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

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

At June 30, 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.

#### Note 13 - Net assets

##### Net assets with donor restrictions

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

|                   |    |                    |
|-------------------|----|--------------------|
| Beginning balance | \$ | 3,105,053          |
| Additions         |    | 1,420,000          |
| Releases          |    | <u>(1,878,984)</u> |
| Ending balance    | \$ | <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 three-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.

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

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

- 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.
- 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, 2022. 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, 2021 was \$269,010.

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

|            |    |                  |
|------------|----|------------------|
| 2022       | \$ | 446,073          |
| 2023       |    | 352,107          |
| 2024       |    | 287,300          |
| 2025       |    | 160,449          |
| 2026       |    | 163,658          |
| Thereafter |    | <u>4,858,273</u> |
| Total      | \$ | <u>6,267,860</u> |

The Organization leases office equipment under noncancelable operating lease agreements which expire at various dates through October 2024. Equipment rental expense for the year ended June 30, 2021 was \$105,131.

#### 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:

|            |    |                  |
|------------|----|------------------|
| 2022       | \$ | 211,299          |
| 2023       |    | 212,571          |
| 2024       |    | 206,326          |
| 2025       |    | 187,031          |
| 2026       |    | 190,772          |
| Thereafter |    | <u>1,575,926</u> |
|            | \$ | <u>2,583,925</u> |



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

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

**Note 16 - Significant estimates and concentrations**

**Current vulnerability due to certain concentrations**

The Organization sponsors or holds interest in multiple apartment projects. The projects' operations are concentrated in the multifamily real estate market located in the Bronx, 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.

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

**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 year ended June 30, 2021 are as follows:

|                | <u>Receivables</u>  | <u>Revenue</u>       |
|----------------|---------------------|----------------------|
| New York City  | \$ 3,274,834        | \$ 7,812,655         |
| New York State | 847,741             | 2,017,719            |
| Other          | <u>10,069</u>       | <u>2,935,396</u>     |
|                | <u>\$ 4,132,644</u> | <u>\$ 12,765,770</u> |

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

### **Notes to Consolidated and Combined Financial Statements June 30, 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 year ended June 30, 2021 was \$114,178.

#### **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, 2021.

#### **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, 2021, 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, 2021, the balance was \$259,108.
- 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, 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, 2021, the balance was \$380,107.

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

### **Notes to Consolidated and Combined Financial Statements June 30, 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, 2021, 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, 2021, CHLDC has not made any contributions towards this project.

As of June 30, 2021, 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, 2021, 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 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, 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, 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, 2021**

**Note 20 - Restatement**

Management of the Organization has restated its opening net assets as of July 1, 2020 to reflect consolidation of real estate entities in which the Organization has controlling financial interests through general partnership interest. In addition, management determined that the Organization did not properly account for revenue earned on the developer fee through June 30, 2020. The effect on the Organization's consolidated and combined financial statements as of and for the year ended June 30, 2021 is summarized as follows:

|                      | <u>As previously<br/>stated</u> | <u>Adjustments</u>   | <u>As restated</u>   |
|----------------------|---------------------------------|----------------------|----------------------|
| Total assets         | <u>\$ 24,001,273</u>            | <u>\$ 61,542,609</u> | <u>\$ 85,543,882</u> |
| Total liabilities    | <u>\$ 19,976,975</u>            | <u>\$ 34,521,271</u> | <u>\$ 54,498,246</u> |
| Total net assets*    | <u>\$ 4,024,298</u>             | <u>\$ 27,021,338</u> | <u>\$ 31,045,636</u> |
| Change in net assets | <u>\$ 391,129</u>               | <u>\$ 124,334</u>    | <u>\$ 515,463</u>    |

\* Includes the effect of change in net assets.

**Note 21 - 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:

|   |                     |
|---|---------------------|
| Cash  | \$ 4,681,065        |
| Security deposits held in trust   | <u>213,713</u>      |
| Total cash and restricted cash on the consolidated and combined statement of cash flows | <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 22 - Paycheck Protection Program**

CHLDC was granted a \$2,263,062 loan under the Paycheck Protection Program ("PPP") administered by a Small Business Administration ("SBA") approved partner. The loan is uncollateralized and is fully guaranteed by the federal government. As of June 30, 2021, the loan is included in mortgages and loans payable on the accompanying consolidated and combined statement of financial position. In October 2021, the loan was forgiven.

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

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

**Note 23 - 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 July 07, 2022 (the date the consolidated and combined financial statements were available to be issued) and concluded that other than discussed in Note 22, 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.

## **Supplementary Information**

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

**Supplementary Information**

**Consolidating Statement of Financial Position  
June 30, 2021**

|  | Cypress Hills<br>Local<br>Development<br>Corporation | Cypress Hills<br>Child Care<br>Corporation | Housing Entities     | Eliminations           | Total                |
|--|--|--|----------------------|------------------------|----------------------|
| <u>Assets</u>  |  |  |                      |                        |                      |
| Cash   | \$ 2,904,321   | \$ 845,685                                 | \$ 931,059           | \$ -                   | \$ 4,681,065         |
| Accounts receivable, net   | 169,928  | -  | 318,234              | (84,407)               | 403,755              |
| Loans receivable   | 8,966,290  | -  | -                    | (8,966,290)            | -                    |
| Receivables from related parties                                   | 4,029,964  | -  | 101,041              | (1,125,925)            | 3,005,080            |
| Other receivables  | 263,242  | -  | 116,144              | (59,716)               | 319,670              |
| Government grant receivable, net                                   | 3,881,028  | 251,616                                    | -                    | -                      | 4,132,644            |
| Prepaid expenses   | 62,849   | 11,427                                     | 189,539              | -                      | 263,815              |
| Restricted deposits and funded reserves                            | -  | -  | 2,670,122            | -                      | 2,670,122            |
| Tenant deposits held in trust                                      | 21,175   | 2,000                                      | 190,538              | -                      | 213,713              |
| Utility deposits   | 34,441   | -  | 13,324               | -                      | 47,765               |
| Other intangibles, net   | -  | -  | 128,225              | -                      | 128,225              |
| Fixed assets, net  | 21,992   | 2,298,559                                  | 66,584,142           | -                      | 68,904,693           |
| Other noncurrent assets  | 39,668   | -  | 40,966               | -                      | 80,634               |
| <b>Total assets</b>  | <b>\$ 20,394,898</b>                                 | <b>\$ 3,409,287</b>                        | <b>\$ 71,283,334</b> | <b>\$ (10,236,338)</b> | <b>\$ 84,851,181</b> |
| <u>Liabilities and Net Assets</u>                                  |  |  |                      |                        |                      |
| <u>Liabilities</u>   |  |  |                      |                        |                      |
| Accounts payable   | \$ 491,351   | \$ 4,181                                   | \$ 804,916           | \$ -                   | \$ 1,300,448         |
| Accrued expenses   | 752,374  | 192,071                                    | 393,929              | -                      | 1,338,374            |
| Accrued interest payable   | -  | -  | 1,626,927            | -                      | 1,626,927            |
| Tenant deposits held in trust                                      | 46,000   | -  | 192,083              | -                      | 238,083              |
| Accrued construction costs   | -  | -  | 270,398              | (220,398)              | 50,000               |
| Developer fee payable  | -  | -  | 1,592,715            | (1,592,715)            | -                    |
| Asset management fees payable                                      | -  | -  | 48,658               | -                      | 48,658               |
| Due to related parties and affiliates                              | -  | 324,566                                    | 1,091,473            | (1,372,298)            | 43,741               |
| Unearned and deferred rent   | 153,286  | -  | 6,021                | (143,286)              | 16,021               |
| Mortgages and loans payable, net of unamortized debt issuance cost | 11,175,140   | 1,816,627                                  | 45,375,082           | (9,199,060)            | 49,167,789           |
| <b>Total liabilities</b>   | <b>12,618,151</b>                                    | <b>2,337,445</b>                           | <b>51,402,202</b>    | <b>(12,527,757)</b>    | <b>53,830,041</b>    |
| <u>Net assets</u>  |  |  |                      |                        |                      |
| Without donor restrictions - controlling                           | 6,356,747  | 1,071,842                                  | (2,050,778)          | 2,291,419              | 7,669,230            |
| Without donor restrictions - noncontrolling                        | -  | -  | 20,705,841           | -                      | 20,705,841           |
| With donor restrictions  | 1,420,000  | -  | 1,226,069            | -                      | 2,646,069            |
| <b>Total net assets</b>  | <b>7,776,747</b>                                     | <b>1,071,842</b>                           | <b>19,881,132</b>    | <b>2,291,419</b>       | <b>31,021,140</b>    |
| <b>Total liabilities and net assets</b>                            | <b>\$ 20,394,898</b>                                 | <b>\$ 3,409,287</b>                        | <b>\$ 71,283,334</b> | <b>\$ (10,236,338)</b> | <b>\$ 84,851,181</b> |

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, 2021**

|   | Cypress Hills<br>Local<br>Development<br>Corporation | Cypress Hills<br>Child Care<br>Corporation | Housing Entities     | Eliminations        | Total                |
|---|--|--|----------------------|---------------------|----------------------|
| <b>Revenue and support</b>                      |  |  |                      |                     |                      |
| Tenant rent and other charges, net of vacancies | \$ 299,067   | \$ -                                       | \$ 3,703,845         | \$ (193,101)        | \$ 3,809,811         |
| Government contracts and grants                 | 9,974,604  | 2,791,166                                  | -                    | -                   | 12,765,770           |
| Contributions                                   | 3,436,978  | 293,520                                    | -                    | -                   | 3,730,498            |
| Management and social service fees              | 46,267   | -  | -                    | (46,267)            | -                    |
| 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                                 | 84,314   | 770  | 1,056                | -                   | 86,140               |
| Investment income                               | -  | -  | 37,409               | -                   | 37,409               |
| Other income                                    | 276,140  | 17,953                                     | 61,669               | (242,635)           | 113,127              |
| <b>Total revenue</b>                            | <b>16,544,981</b>                                    | <b>3,172,921</b>                           | <b>3,803,979</b>     | <b>(482,003)</b>    | <b>23,039,878</b>    |
| <b>Expenses</b>                                 |  |  |                      |                     |                      |
| Salaries  | 8,760,684  | 1,713,257                                  | 459,239              | -                   | 10,933,180           |
| Payroll taxes and employee benefits             | 1,978,525  | 319,046                                    | 60,622               | -                   | 2,358,193            |
| Office expense                                  | 685,049  | 709,670                                    | 96,562               | -                   | 1,491,281            |
| Equipment rental and maintenance                | 286,671  | 669  | 80                   | -                   | 287,420              |
| Management fees                                 | -  | -  | 291,212              | (68,119)            | 223,093              |
| Rent expense                                    | 442,902  | 93,989                                     | -                    | (267,881)           | 269,010              |
| Utilities expense                               | 31,633   | 21,807                                     | 709,763              | -                   | 763,203              |
| Professional services and consultants           | 732,304  | 61,517                                     | 213,123              | -                   | 1,006,944            |
| Building repair and maintenance                 | 126,237  | 585  | 843,013              | -                   | 969,835              |
| Real estate taxes                               | -  | -  | 133,063              | -                   | 133,063              |
| Insurance expense                               | 216,791  | 32,630                                     | 352,928              | -                   | 602,349              |
| Other taxes, licenses and insurance             | 4,341  | -  | 29,389               | -                   | 33,730               |
| Interest expense                                | 45,261   | -  | 616,549              | (16,226)            | 645,584              |
| Advertising                                     | 4,641  | 19,412                                     | 21,930               | -                   | 45,983               |
| Youth events and activities                     | 34,181   | 47,478                                     | -                    | -                   | 81,659               |
| Depreciation and amortization                   | 12,292   | 2,620                                      | 2,497,503            | -                   | 2,512,415            |
| Bad debt  | -  | -  | 309,391              | -                   | 309,391              |
| Miscellaneous financing fees                    | 9,070  | 668  | 36,700               | -                   | 46,438               |
| Other miscellaneous expense                     | 459,556  | 10,109                                     | 61,938               | -                   | 531,603              |
| <b>Total expenses</b>                           | <b>13,830,138</b>                                    | <b>3,033,457</b>                           | <b>6,733,005</b>     | <b>(352,226)</b>    | <b>23,244,374</b>    |
| Change in net assets                            | 2,714,843  | 139,464                                    | (2,929,026)          | (129,777)           | (204,496)            |
| Net assets, beginning                           | 5,061,904  | 932,378                                    | 22,601,659           | 2,449,695           | 31,045,636           |
| Contributions                                   | -  | -  | 208,499              | (28,499)            | 180,000              |
| <b>Net assets, end</b>                          | <b>\$ 7,776,747</b>                                  | <b>\$ 1,071,842</b>                        | <b>\$ 19,881,132</b> | <b>\$ 2,291,419</b> | <b>\$ 31,021,140</b> |

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, 2021**

|  | Arlington<br>Apartments Housing<br>Development Fund<br>Corporation | Cypress Homes<br>Housing<br>Development<br>Fund Corporation | Cypress West<br>Housing<br>Development<br>Fund Corporation | Cypress Village<br>Limited<br>Partnership | Cypress Court<br>Associates L.P. | Cypress Corners<br>L.P. | Cypress Plaza<br>Group | Cypress Hills<br>Senior Housing<br>LP | Cypress Pitkin<br>Berriman | Total - Housing<br>Entities |
|--|--|---|--|---|----------------------------------|-------------------------|------------------------|---------------------------------------|----------------------------|-----------------------------|
| <b>Assets</b>  |  |   |  |   |                                  |                         |                        |                                       |                            |                             |
| Cash   | \$ 41,883  | \$ 920  | \$ 99,518  | \$ 23,718                                 | \$ 56,760                        | \$ 59,927               | \$ 443,397             | \$ 108,993                            | \$ 95,943                  | \$ 931,059                  |
| Accounts receivable, net   | 18,688   | 13,395  | 30,062   | 45,415                                    | 69,607                           | 23,466                  | 27,408                 | 1,437                                 | 88,756                     | 318,234                     |
| Receivables from related parties                                   | 419  | 583   | 82,086   | -   | 13,487                           | 100                     | 4,366                  | -                                     | -                          | 101,041                     |
| Other receivables  | -  | -   | 65   | 19,709                                    | -                                | -                       | -                      | -                                     | 96,370                     | 116,144                     |
| Prepaid expenses   | 13,958   | 7,504   | 19,942   | 22,002                                    | 60,181                           | 14,758                  | 15,417                 | 10,746                                | 25,031                     | 189,539                     |
| Restricted deposits and funded reserves                            | 20,234   | 4,846   | 268,756  | 262,720                                   | 257,816                          | 684,978                 | 66,100                 | 578,886                               | 525,786                    | 2,670,122                   |
| Tenant deposits held in trust                                      | 9,744  | 1,159   | 17,463   | 20,550                                    | 38,538                           | 7,138                   | 30,043                 | 16,075                                | 49,828                     | 190,538                     |
| Utility deposits   | 1,147  | 220   | 2,240  | -   | 2,425                            | 6,017                   | 1,275                  | -                                     | -                          | 13,324                      |
| Other intangibles, net   | -  | -   | -  | 23,066                                    | -                                | -                       | -                      | 51,412                                | 53,747                     | 128,225                     |
| Fixed assets, net  | 830,416  | 802,032   | 1,413,285  | 10,456,379                                | 1,546,306                        | 2,843,213               | 4,566,928              | 18,711,452                            | 25,414,131                 | 66,584,142                  |
| Other noncurrent assets  | 2,131  | 3,000   | -  | 12,835                                    | -                                | 23,000                  | -                      | -                                     | -                          | 40,966                      |
| <b>Total assets</b>  | <b>\$ 938,620</b>  | <b>\$ 833,659</b>   | <b>\$ 1,933,417</b>  | <b>\$ 10,886,394</b>                      | <b>\$ 2,045,120</b>              | <b>\$ 3,662,597</b>     | <b>\$ 5,154,934</b>    | <b>\$ 19,479,001</b>                  | <b>\$ 26,349,592</b>       | <b>\$ 71,283,334</b>        |
| <b>Liabilities and Net Assets</b>                                  |  |   |  |   |                                  |                         |                        |                                       |                            |                             |
| <b>Liabilities</b>   |  |   |  |   |                                  |                         |                        |                                       |                            |                             |
| Accounts payable   | \$ 152,929   | \$ 92,620   | \$ 2,166   | \$ 210,753                                | \$ 241,967                       | \$ 66,396               | \$ -                   | \$ 38,085                             | \$ -                       | \$ 804,916                  |
| Accrued expenses   | 54,855   | 57,941  | 30,300   | 25,615                                    | 48,085                           | 52,255                  | 23,563                 | 67,892                                | 33,423                     | 393,929                     |
| Accrued interest payable   | 837,813  | 1,529   | -  | -   | -                                | -                       | 178,730                | 54,246                                | 554,609                    | 1,626,927                   |
| Tenant deposits held in trust                                      | 9,744  | 1,159   | 17,902   | 20,550                                    | 38,538                           | 7,138                   | 30,043                 | 15,277                                | 51,732                     | 192,083                     |
| Accrued construction costs   | -  | -   | -  | -   | -                                | -                       | 220,398                | -                                     | 50,000                     | 270,398                     |
| Developer fee payable  | -  | -   | -  | 336,660                                   | -                                | -                       | -                      | -                                     | 1,256,055                  | 1,592,715                   |
| Asset management fees payable                                      | -  | -   | -  | 27,070                                    | -                                | -                       | 21,588                 | -                                     | -                          | 48,658                      |
| Due to related parties and affiliates                              | 10,923   | 386,452   | 64,822   | 165,695                                   | 242,400                          | 215,858                 | 4,823                  | 500                                   | -                          | 1,091,473                   |
| Unearned and deferred rent   | -  | -   | -  | -   | -                                | -                       | -                      | 6,021                                 | -                          | 6,021                       |
| Mortgages and loans payable, net of unamortized debt issuance cost | 340,573  | 583,579   | 2,694,974  | 5,328,183                                 | 5,318,379                        | 3,195,206               | 3,397,400              | 11,658,767                            | 12,858,021                 | 45,375,082                  |
| <b>Total liabilities</b>   | <b>1,406,837</b>   | <b>1,123,280</b>  | <b>2,810,164</b>   | <b>6,114,526</b>                          | <b>5,889,369</b>                 | <b>3,536,853</b>        | <b>3,876,545</b>       | <b>11,840,788</b>                     | <b>14,803,840</b>          | <b>51,402,202</b>           |
| <b>Net assets</b>  |  |   |  |   |                                  |                         |                        |                                       |                            |                             |
| Without donor restrictions - controlling                           | (1,694,286)  | (289,621)   | (876,747)  | 332,101                                   | (91,491)                         | (101)                   | (90)                   | 569,655                               | (198)                      | (2,050,778)                 |
| Without donor restrictions - noncontrolling                        | -  | -   | -  | 4,439,767                                 | (3,752,758)                      | 125,845                 | 1,278,479              | 7,068,558                             | 11,545,950                 | 20,705,841                  |
| With donor restrictions  | 1,226,069  | -   | -  | -   | -                                | -                       | -                      | -                                     | -                          | 1,226,069                   |
| <b>Total net assets</b>  | <b>(468,217)</b>   | <b>(289,621)</b>  | <b>(876,747)</b>   | <b>4,771,868</b>                          | <b>(3,844,249)</b>               | <b>125,744</b>          | <b>1,278,389</b>       | <b>7,638,213</b>                      | <b>11,545,752</b>          | <b>19,881,132</b>           |
| <b>Total liabilities and net assets</b>                            | <b>\$ 938,620</b>  | <b>\$ 833,659</b>   | <b>\$ 1,933,417</b>  | <b>\$ 10,886,394</b>                      | <b>\$ 2,045,120</b>              | <b>\$ 3,662,597</b>     | <b>\$ 5,154,934</b>    | <b>\$ 19,479,001</b>                  | <b>\$ 26,349,592</b>       | <b>\$ 71,283,334</b>        |

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

**Supplementary Information**

**Combining Statement of Activities - Housing Entities  
Year Ended June 30, 2021**

|   | Arlington<br>Apartments<br>Housing<br>Development<br>Fund Corporation | Cypress Homes<br>Housing<br>Development<br>Fund Corporation | Cypress West<br>Housing<br>Development<br>Fund Corporation | Cypress Village<br>Limited<br>Partnership | Cypress Court<br>Associates L.P. | Cypress Corners<br>L.P. | Cypress Plaza<br>Group | Cypress Hills<br>Senior Housing<br>LP | Cypress Pitkin<br>Berriman | Total            |
|---|---|---|--|---|----------------------------------|-------------------------|------------------------|---------------------------------------|----------------------------|------------------|
| Revenue and support                             |   |   |  |   |                                  |                         |                        |                                       |                            |                  |
| Tenant rent and other charges, net of vacancies | \$ 242,932  | \$ 95,228   | \$ 372,629   | \$ 325,608                                | \$ 672,481                       | \$ 267,824              | \$ 312,547             | \$ 632,429                            | \$ 782,167                 | \$ 3,703,845     |
| Interest income                                 | -   | -   | -  | -   | -                                | -                       | -                      | 1,052                                 | 4                          | 1,056            |
| Investment income                               | 54  | -   | 2,680  | 14  | 8,765                            | 24,853                  | 1,042                  | -                                     | 1                          | 37,409           |
| Other income                                    | -   | -   | 180  | -   | 30                               | 46,188                  | -                      | 9,557                                 | 5,714                      | 61,669           |
| <b>Total revenue</b>                            | <b>242,986</b>  | <b>95,228</b>   | <b>375,489</b>   | <b>325,622</b>                            | <b>681,276</b>                   | <b>338,865</b>          | <b>313,589</b>         | <b>643,038</b>                        | <b>787,886</b>             | <b>3,803,979</b> |
| Expenses  |   |   |  |   |                                  |                         |                        |                                       |                            |                  |
| Salaries  | 14,303  | 4,235   | 25,963   | 18,812                                    | 46,216                           | 18,812                  | 15,897                 | 296,196                               | 18,805                     | 459,239          |
| Payroll taxes and employee benefits             | -   | -   | -  | -   | 11,088                           | -                       | -                      | 31,455                                | 18,079                     | 60,622           |
| Office expense                                  | 3,622   | 3,606   | 9,630  | 9,097                                     | 18,669                           | 7,432                   | 8,841                  | 22,125                                | 13,540                     | 96,562           |
| Equipment rental and maintenance                | 16  | -   | 32   | -   | 32                               | -                       | -                      | -                                     | -                          | 80               |
| Management fees                                 | 16,094  | 3,637   | 22,954   | 34,073                                    | 64,495                           | 33,956                  | 31,711                 | 41,516                                | 42,776                     | 291,212          |
| Utilities expense                               | 59,125  | 19,249  | 105,557  | 93,617                                    | 162,072                          | 73,570                  | 30,126                 | 90,123                                | 76,324                     | 709,763          |
| Professional services and consultants           | 16,055  | 16,156  | 19,569   | 29,095                                    | 39,688                           | 30,789                  | 21,544                 | 11,847                                | 28,380                     | 213,123          |
| Building repair and maintenance                 | 78,507  | 23,601  | 123,068  | 100,851                                   | 234,396                          | 91,896                  | 81,977                 | 25,171                                | 83,546                     | 843,013          |
| Real estate taxes                               | 80,854  | 23,813  | -  | -   | 27,281                           | 1,115                   | -                      | -                                     | -                          | 133,063          |
| Insurance expense                               | 24,773  | -   | 38,889   | 31,209                                    | 77,760                           | 30,402                  | 26,297                 | 52,788                                | 70,810                     | 352,928          |
| Other taxes, licenses and insurance             | 478   | 4,429   | 1,453  | 2,304                                     | 7,551                            | 4,560                   | 1,507                  | 174                                   | 6,933                      | 29,389           |
| Interest expense                                | 40,964  | 19,487  | 3,569  | 56,091                                    | 13,881                           | 16,201                  | 232,155                | 620                                   | 233,581                    | 616,549          |
| Advertising                                     | -   | -   | -  | -   | 6,245                            | -                       | 68                     | 7,784                                 | 7,833                      | 21,930           |
| Depreciation and amortization                   | 50,976  | 26,986  | 93,667   | 490,508                                   | 273,228                          | 117,184                 | 164,994                | 547,370                               | 732,590                    | 2,497,503        |
| Bad debt  | 6,273   | 15,089  | 19,425   | 40,298                                    | 165,246                          | -                       | 17,850                 | -                                     | 45,210                     | 309,391          |
| Miscellaneous financing fees                    | 817   | 767   | 2,212  | 1,134                                     | 3,219                            | 1,415                   | 678                    | 462                                   | 25,996                     | 36,700           |
| Other miscellaneous expense                     | 4,316   | 71  | 12,790   | 2,441                                     | 27,948                           | -                       | 8,712                  | 4,185                                 | 1,475                      | 61,938           |
| <b>Total expenses</b>                           | <b>397,173</b>  | <b>161,126</b>  | <b>478,778</b>   | <b>909,530</b>                            | <b>1,179,015</b>                 | <b>427,332</b>          | <b>642,357</b>         | <b>1,131,816</b>                      | <b>1,405,878</b>           | <b>6,733,005</b> |
| Change in net assets                            | (154,187)   | (65,898)  | (103,289)  | (583,908)                                 | (497,739)                        | (88,467)                | (328,768)              | (488,778)                             | (617,992)                  | (2,929,026)      |
| Net assets, beginning                           | (314,030)   | (223,723)   | (773,458)  | 5,355,776                                 | (3,346,510)                      | 214,211                 | 1,607,157              | 7,918,492                             | 12,163,744                 | 22,601,659       |
| Contributions                                   | -   | -   | -  | -   | -                                | -                       | -                      | 208,499                               | -                          | 208,499          |
| Net assets, end                                 | \$ (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    |

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