

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

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2019 and 2018



**Cypress Hills Local Development Corporation, Inc.
and Subsidiaries
June 30, 2019 and 2018**

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Independent Auditor's Report

Board of Directors
Cypress Hills Local Development Corporation, Inc. and Subsidiaries
Brooklyn, New York

We have audited the accompanying consolidated financial statements of Cypress Hills Local Development Corporation, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2019 and 2018, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 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 financial statements based on our audits. We did not audit the financial statements of Cypress Hills Child Care Corporation, a wholly owned subsidiary, disclosed in *Note 1*, which statements reflect total assets constituting 12 percent as of June 30, 2019 and total revenues and other support constituting 17 percent of consolidated total revenues and other support for the year ended 2019. We did not audit the financial statements of Cypress Hills Child Care Corporation and the Housing Development Fund Corporations disclosed in *Note 1*, wholly owned subsidiaries, which statements reflect total assets constituting 31 percent of consolidated total assets as of June 30, 2018, and total revenues and other support constituting 20 percent of consolidated total revenues and other support for the year ended 2018. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Cypress Hills Child Care Corporation and the Housing Development Fund Corporations listed in *Note 1*, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 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 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 auditors, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cypress Hills Local Development Corporation, Inc. and Subsidiaries as of June 30, 2019 and 2018, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in *Note 2* of the consolidated financial statements, in 2019, Cypress Hills Local Development Corporation, Inc. and Subsidiaries adopted ASU 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated 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 financial statements or to the consolidated 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 financial statements as a whole.

BKD, LLP

New York, New York
July 21, 2020

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidated Statements of Financial Position June 30, 2019 and 2018

	2019	2018
Assets		
Cash	\$ 1,590,074	\$ 1,131,429
Cash - tenants' security deposits	77,824	27,824
Grants receivable, net of allowance \$21,930 in 2019 and \$0 in 2018	3,474,682	3,930,033
Contributions receivable, net of allowance \$14,773 in 2019 and \$0 in 2018	357,937	809,591
Accounts receivable, net of allowance \$42,790 in 2019 and \$15,000 in 2018	281,707	325,337
Prepaid expenses and deposits	127,306	121,372
Mortgage escrow	8,701	4,637
Loans receivable	8,916,800	8,541,800
Due from related parties, net of allowance; \$2,762,000 in 2019 and 2018	437,718	512,757
Assets limited as to use	283,570	278,622
Property and equipment, net	5,492,804	5,647,740
Other assets	47,694	1,843
Total assets	\$ 21,096,817	\$ 21,332,985
 Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 1,921,472	\$ 2,134,155
Grant advances	456,759	382,419
Prepaid rent	8,365	11,334
Tenants' security deposits payable	77,824	27,824
Deferred rent	104,320	-
Loans payable	14,102,332	14,310,616
Accrued interest payable	792,576	715,206
Total liabilities	17,463,648	17,581,554
 Net Assets		
Without donor restrictions	1,273,660	860,636
With donor restrictions	2,359,509	2,890,795
Total net assets	3,633,169	3,751,431
Total liabilities and net assets	\$ 21,096,817	\$ 21,332,985

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidated Statement of Activities Year Ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Government grants	\$ 15,316,376	\$ -	\$ 15,316,376
Contributions	554,104	2,353,304	2,907,408
Special events	\$ 113,456		
Less direct cost of special events	(35,553)		
Net revenue from special events	77,903	-	77,903
Contributed services	203,015	-	203,015
Management and development fees	185,000	-	185,000
Rental income	684,688	-	684,688
Interest	4,125	-	4,125
Miscellaneous income	229,109	-	229,109
Net assets released from restrictions	2,884,590	(2,884,590)	-
Total revenues and other support	20,138,910	(531,286)	19,607,624
Expenses			
Program services			
Youth and human services	11,047,274	-	11,047,274
Housing development and counseling	2,109,453	-	2,109,453
Economic development and community organizing	474,013	-	474,013
Early childhood education	2,754,560	-	2,754,560
Affordable housing projects	1,025,178	-	1,025,178
Total program services	17,410,478	-	17,410,478
Supporting services			
Management and general	1,998,081	-	1,998,081
Fundraising	317,327	-	317,327
Total supporting services	2,315,408	-	2,315,408
Total expenses	19,725,886	-	19,725,886
Change in Net Assets	413,024	(531,286)	(118,262)
Net Assets, Beginning of Year	860,636	2,890,795	3,751,431
Net Assets, End of Year	\$ 1,273,660	\$ 2,359,509	\$ 3,633,169

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidated Statement of Activities Year Ended June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support			
Government grants	\$ 13,726,065	\$ -	\$ 13,726,065
Contributions	473,106	2,614,950	3,088,056
Special events	\$ 159,184		
Less direct cost of special events	<u>(37,989)</u>		
Net revenue from special events	121,195	-	121,195
Contributed services	520,177	-	520,177
Management and development fees	143,324	-	143,324
Rental income	693,679	-	693,679
Interest	3,873	-	3,873
Miscellaneous income	269,656	-	269,656
Net assets released from restrictions	<u>2,922,804</u>	<u>(2,922,804)</u>	<u>-</u>
Total revenues and other support	<u>18,873,879</u>	<u>(307,854)</u>	<u>18,566,025</u>
Expenses			
Program services			
Youth and human services	10,965,791	-	10,965,791
Housing development and counseling	1,016,498	-	1,016,498
Economic development and community organizing	420,675	-	420,675
Early childhood education	2,703,087	-	2,703,087
Affordable housing projects	<u>878,287</u>	<u>-</u>	<u>878,287</u>
Total program services	<u>15,984,338</u>	<u>-</u>	<u>15,984,338</u>
Supporting services			
Management and general	2,152,823	-	2,152,823
Fundraising	<u>202,294</u>	<u>-</u>	<u>202,294</u>
Total supporting services	<u>2,355,117</u>	<u>-</u>	<u>2,355,117</u>
Total expenses	<u>18,339,455</u>	<u>-</u>	<u>18,339,455</u>
Change in Net Assets	534,424	(307,854)	226,570
Net Assets, Beginning of Year	<u>326,212</u>	<u>3,198,649</u>	<u>3,524,861</u>
Net Assets, End of Year	<u>\$ 860,636</u>	<u>\$ 2,890,795</u>	<u>\$ 3,751,431</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended June 30, 2019

	Program Services					Supporting Services				
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	Early Childhood Education	Affordable Housing Projects	Total	Management and General	Fundraising	Special Events	Total
Salaries	\$ 7,523,355	\$ 776,467	\$ 303,804	\$ 1,310,566	\$ -	\$ 9,914,192	\$ 1,078,419	\$ 234,281	\$ -	\$ 11,226,892
Payroll taxes and employee benefits	1,526,753	174,889	98,987	354,202	-	2,154,831	287,639	69,905	-	2,512,375
Total salaries and related expenses	9,050,108	951,356	402,791	1,664,768	-	12,069,023	1,366,058	304,186	-	13,739,267
Property management and administrative	-	-	-	-	115,317	115,317	-	-	-	115,317
Rent and utilities	107,624	53,819	21,030	130,191	170,054	482,718	118,782	-	-	601,500
Supplies	235,273	30,234	3,305	53,983	-	322,795	13,741	-	-	336,536
Professional services and consultants	616,924	959,821	15,039	40,285	5,130	1,637,199	147,863	4,790	-	1,789,852
Contributed services - professional fees	-	-	-	101,015	-	101,015	102,000	-	-	203,015
Telephone and internet	28,234	9,308	1,822	8,368	3,506	51,238	6,894	-	-	58,132
Equipment rental and maintenance	130,709	30,718	3,633	225	-	165,285	23,961	-	-	189,246
Printing and postage	33,889	5,924	747	3,908	-	44,468	2,257	-	-	46,725
Building repair and maintenance	10,348	23,862	6,400	14,679	201,205	256,494	11,163	-	-	267,657
Insurance, taxes and licenses	152,964	17,652	6,755	24,138	176,035	377,544	15,812	-	-	393,356
Travel	46,219	1,328	3,701	-	33	51,281	3,644	-	-	54,925
Conferences and training	22,321	3,354	760	17,824	-	44,259	6,424	-	-	50,683
Interest	-	-	-	-	68,929	68,929	2,199	-	-	71,128
Advertising	18,392	378	1,077	-	-	19,847	5,401	-	-	25,248
Catering and entertainment	-	-	-	-	-	-	-	-	35,553	35,553
Youth events and activities	344,392	26	940	675	-	346,033	2,087	-	-	348,120
Stipends	42,447	-	-	-	-	42,447	-	-	-	42,447
Dues and subscriptions	8,294	4,593	1,175	-	-	14,062	25,373	81	-	39,516
Fees (permits, fees and other)	14,898	10,322	149	4,321	-	29,690	16,832	-	-	46,522
Food and refreshments	91,184	1,627	1,885	676,805	-	771,501	12,872	-	-	784,373
Depreciation and amortization	62,321	4,733	2,367	-	171,481	240,902	8,889	1,577	-	251,368
Bad debt	-	-	-	-	55,877	55,877	70,794	-	-	126,671
Miscellaneous	30,733	398	437	13,375	57,611	102,554	35,035	6,693	-	144,282
Total expenses	11,047,274	2,109,453	474,013	2,754,560	1,025,178	17,410,478	1,998,081	317,327	35,553	19,761,439
Less direct cost of special events deducted from revenues and other support on the statement of activities	-	-	-	-	-	-	-	-	(35,553)	(35,553)
Total expenses reported by function on the statement of activities	<u>\$ 11,047,274</u>	<u>\$ 2,109,453</u>	<u>\$ 474,013</u>	<u>\$ 2,754,560</u>	<u>\$ 1,025,178</u>	<u>\$ 17,410,478</u>	<u>\$ 1,998,081</u>	<u>\$ 317,327</u>	<u>\$ -</u>	<u>\$ 19,725,886</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended June 30, 2018

	Program Services					Supporting Services				
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	Early Childhood Education	Affordable Housing Projects	Total	Management and General	Fundraising	Special Events	Total
Salaries	\$ 7,375,707	\$ 599,137	\$ 297,531	\$ 1,246,964	\$ -	\$ 9,519,339	\$ 1,173,397	\$ 161,982	\$ -	\$ 10,854,718
Payroll taxes and employee benefits	1,639,329	133,165	66,129	334,863	-	2,173,486	277,937	36,003	-	2,487,426
Total salaries and related expenses	9,015,036	732,302	363,660	1,581,827	-	11,692,825	1,451,334	197,985	-	13,342,144
Property management and administrative	-	-	-	-	109,690	109,690	-	-	-	109,690
Rent and utilities	73,671	39,500	15,496	88,268	173,658	390,593	84,622	-	-	475,215
Supplies	273,214	14,079	2,879	23,180	-	313,352	17,183	2,416	-	332,951
Professional services and consultants	547,338	168,552	9,377	27,463	30,359	783,089	33,158	1,224	-	817,471
Contributed services - professional fees	-	-	-	301,177	-	301,177	219,000	-	-	520,177
Telephone and internet	31,709	9,102	1,053	7,288	2,612	51,764	6,390	-	-	58,154
Equipment rental and maintenance	158,826	13,012	3,750	1,014	-	176,602	18,306	-	-	194,908
Printing and postage	34,176	4,557	1,101	2,567	-	42,401	5,777	-	-	48,178
Building repair and maintenance	20,405	6,511	2,041	19,665	146,667	195,289	9,379	-	-	204,668
Insurance, taxes and licenses	147,240	13,331	6,527	20,344	156,838	344,280	16,040	-	-	360,320
Travel	33,224	76	2,279	-	-	35,579	8,049	-	-	43,628
Conferences and training	52,276	1,686	1,193	20,062	-	75,217	7,636	-	-	82,853
Interest	-	-	-	-	64,727	64,727	6,339	-	-	71,066
Advertising	-	-	-	-	-	-	35,903	-	-	35,903
Catering and entertainment	-	-	-	-	-	-	-	-	37,989	37,989
Youth events and activities	391,976	840	1,320	900	-	395,036	-	-	-	395,036
Stipends	25,824	-	-	-	-	25,824	-	-	-	25,824
Dues and subscriptions	17,769	3,894	-	1,789	-	23,452	8,177	-	-	31,629
Fees (permits, fees and other)	8,273	704	-	4,178	-	13,155	31,223	-	-	44,378
Food and refreshments	75,354	1,366	7,689	589,963	-	674,372	5,806	-	-	680,178
Depreciation and amortization	30,447	2,473	1,228	-	171,481	205,629	47,014	669	-	253,312
Bad debt	-	-	-	-	12,615	12,615	102,858	-	-	115,473
Miscellaneous	29,033	4,513	1,082	13,402	9,640	57,670	38,629	-	-	96,299
Total expenses	10,965,791	1,016,498	420,675	2,703,087	878,287	15,984,338	2,152,823	202,294	37,989	18,377,444
Less direct cost of special events deducted from revenues and other support on the statement of activities	-	-	-	-	-	-	-	-	(37,989)	(37,989)
Total expenses reported by function on the statement of activities	<u>\$ 10,965,791</u>	<u>\$ 1,016,498</u>	<u>\$ 420,675</u>	<u>\$ 2,703,087</u>	<u>\$ 878,287</u>	<u>\$ 15,984,338</u>	<u>\$ 2,152,823</u>	<u>\$ 202,294</u>	<u>\$ -</u>	<u>\$ 18,339,455</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidated Statements of Cash Flows Years Ended June 30, 2019 and 2018

	2019	2018
Operating Activities		
Change in net assets	\$ (118,262)	\$ 226,570
Items not requiring (providing) operating cash flows		
Depreciation and amortization	251,368	253,312
Changes in		
Grants receivable	455,351	(718,381)
Contributions receivable	451,654	(36,366)
Accounts receivable	43,660	(116,791)
Prepaid expenses and deposits	(5,934)	(8,142)
Tenants' security deposits	(48,166)	-
Other assets	(45,849)	-
Accounts payable and accrued expenses	(216,366)	107,693
Mortgage escrow	(4,064)	-
Grant advances	74,340	(34,841)
Deferred rental income	(2,969)	6,502
Tenants' security deposits payable	45,952	-
Deferred rent	104,320	-
Accrued mortgage interest payable	61,303	40,869
Net cash provided by (used in) operating activities	1,046,338	(279,575)
Investing Activities		
Purchase of property and equipment	(96,432)	(152,961)
Loans to related parties	(278,052)	(400,670)
Increase in assets limited as to use	(4,923)	(8,629)
Net cash used in investing activities	(379,407)	(562,260)
Financing Activities		
Proceeds from loans	250,000	905,452
Principal payments on loans	(458,286)	(1,089,651)
Net cash used in financing activities	(208,286)	(184,199)
Increase (Decrease) in Cash	458,645	(1,026,034)
Cash, Beginning of Year	1,131,429	2,157,463
Cash, End of Year	\$ 1,590,074	\$ 1,131,429
Supplemental Cash Flows Information		
Cash paid during the year for interest	\$ 71,128	\$ 71,066

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The consolidated financial statements consist of Cypress Hills Local Development Corporation, Inc. (CHLDC) and the following wholly owned subsidiaries, herein referred to as the “Organization”:

- Cypress Hills Child Care Corporation (Child Care)
- Arlington Apartments Housing Development Fund Corporation (Arlington)
- Cypress West Housing Development Fund Corporation (Cypress West)
- Cypress Homes Housing Development Fund Corporation (Cypress Homes)

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.

Child Care is a not-for-profit community organization incorporated in March 1992 in northwest Brooklyn, New York. Child Care was founded to address the lack of legal quality child care in our community and the tremendous obstacle this presents to women seeking to enter or reenter the paid labor force. Child Care seeks to increase safe, quality day care options for predominantly low-income mothers in our community, while simultaneously providing opportunities for women to capitalize on their child-rearing skills to become economically self-sufficient.

Arlington was incorporated as a not-for-profit corporation in the State of New York for the purpose of developing and operating a housing development in Brooklyn, New York for low income families. The development is comprised of 21 residential units.

Cypress West was incorporated as a not-for-profit corporation in the State of New York for the purpose of operating a residential housing development for low income families. The development is comprised of 12 units located at 52-54 Sunnyside Avenue in Brooklyn, New York (West Property).

During 2010, Cypress West acquired 4 additional buildings. The buildings comprise a total of 27 units located at 188 Jerome Street, 656 Jamaica Avenue, 116 Crescent Street and 122/128 Crescent Street, Brooklyn, NY (Hills Properties).

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Cypress Homes was incorporated as a not-for-profit corporation pursuant to Article XI of the Private Housing Finance Law and Section 402 of the Not-for-Profit Corporation Law of the State of New York. Cypress Homes has been organized to develop, on a nonprofit basis, housing projects in Brooklyn, New York for persons of low income. Through its various housing programs, Cypress Homes owns and rents two properties to persons of low income located at 2836 Fulton Street and 2966 Fulton Street, Brooklyn, NY.

Principles of Consolidation

The consolidated financial statements include the accounts of Cypress Hills Local Development Corporation, Inc. and Subsidiaries. All significant inter-organization accounts and transactions have been eliminated in consolidation.

Use of Estimates

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

Cash

At June 30, 2019, the Organization's cash accounts exceeded federally insured limits by approximately \$1,237,000.

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.

Grants Receivable

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

Accounts Receivable

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

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Allowance for Doubtful Accounts

Management determines whether an allowance for doubtful accounts is necessary for grants receivable, accounts receivable, contributions receivable and due from related parties. Such estimate is based on management's assessments of the creditworthiness of its grantors, contributors and related parties, the aged basis of its receivables, as well as current economic conditions, subsequent receipts and historical information. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts.

Assets Limited as to Use

Assets limited as to use consist of amounts held in escrow by, or on deposit with, financial institutions that collateralize loan or mortgage obligations; placed on deposit with banks participating in letters of credit; as well as funds held for acquisition of capital improvements.

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:

Building and building improvements	27.5 years
Leasehold improvements	2-10 years
Equipment	3-10 years

Long-Lived Asset Impairment

The Organization evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended June 30, 2019 and 2018.

Grant Advances

Payments from government agencies in excess of expenses qualifying under the terms of the contracts are reflected on the consolidated statements of financial position as grant advances.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Deferred Rental Income

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

Government Grants

Support funded by grants is recognized as CHLDC meets the conditions prescribed by the grant agreement, by performing the contracted services or incurring outlays eligible for reimbursement. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Contributions

Contributions are provided to CHLDC either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on CHLDC overcoming a donor imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2019 and 2018

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Contributed Services

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance nonfinancial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. Contributed services are reported at fair value at the date the contribution is received.

CHLDC received in-kind assistance from Brooklyn Legal Services Corporation. In 2019 and 2018, the total value of in-kind services was \$102,000 and \$219,000, respectively, which has been reflected as revenues and expenses in the accompanying consolidated statements of activities.

Child Care received in-kind assistance of health, nutrition and dental care providers' time devoted to a Health Advisory Committee, educational workshops and screenings for the enrolled children and legal assistance. In 2019 and 2018, the total value of in-kind services was \$101,015 and \$301,177, respectively, which has been reflected as revenues and expenses in the accompanying consolidated statements of activities.

Management and Development Fees

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

Rental Income

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

Income Taxes

The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Rent Expense

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

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program and management and general categories based on actual expenditures and cost allocations estimated by the Organization's personnel.

Note 2: Changes in Accounting Principles

During the 2019 fiscal year, the Organization adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. The adoption of ASU 2016-14 had no impact on total changes in net assets. A summary of the changes is as follows:

Consolidated Statement of Financial Position

- The statement of financial position distinguishes between two new classes of net assets – those with donor-imposed restrictions and those without. This is a change from the previously required three classes of net assets – unrestricted, temporarily restricted and permanently restricted.

Consolidated Statement of Activities

- The standard requires the Organization to report expenses by both nature and function, either in the statement of operations, as a separate statement, or within the notes to the financial statements.
- Investment income is shown net of external and direct internal investment expenses. There is no longer a requirement to include a disclosure of those netted expenses.

Notes to the Financial Statements

- The standards require enhanced quantitative and qualitative disclosures to provide additional information useful in assessing liquidity and cash flows, including a description of the time horizon used to manage its liquidity and near-term availability and demands for cash as of the reporting date.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Note 3: Assets Limited as to Use

Assets limited as to use are held in cash. The composition of assets limited as to use at June 30, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Operating reserve fund	\$ 95,927	\$ 95,204
Replacement reserve fund	36,200	33,526
Project capital reserve fund	<u>151,443</u>	<u>149,892</u>
	<u>\$ 283,570</u>	<u>\$ 278,622</u>

Note 4: Related Parties

The Organization is related to the following entities:

Liberty Apartments HDFC
Cypress Hills Liberty, Inc.
125 Fountain Avenue GP, LLC
125 Fountain Avenue LP
Cypress Corners Housing Corporation
Cypress Corners LP
Cypress Mews HDFC
Cypress Plaza Development Corporation
Cypress Plaza Group LP
Cypress Court Housing Corporation
Cypress Court Associates LP
Cypress Village Housing Corporation
Cypress Village LP
Pitkin-Berriman HDFC
Pitkin Housing Corporation
Cypress Pitkin-Berriman LP
Cypress Hills Senior Housing HDFC
Cypress Place Senior Housing Corporation
Cypress Hills Senior Housing LP

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Cypress Hills Community School Development Corporation
Glenmore Gardens HDFC
Chestnut Commons HDFC

During 2019 and 2018, the Organization recorded management and development fees of \$185,000 and \$143,324, respectively, from related parties.

As of June 30, 2019 and 2018, the Organization had a net receivable of \$437,718 and \$512,757 due from related parties, respectively.

As discussed in *Note 9*, the Organization leases office space from related parties.

As discussed in *Note 13*, the Organization has guaranteed loans for related parties.

As discussed in *Note 7*, as of June 30, 2019 and 2018, the Organization has loan receivables of \$8,916,800 and \$8,541,800 from related parties, respectively.

Note 5: Contributions Receivable

Contributions receivable consisted of the following:

	2019		
	Without Donor Restriction	With Donor Restriction	Total
Due within one year	\$ 17,868	\$ 354,842	\$ 372,710
Less			
Allowance for uncollectible contributions	-	(14,773)	(14,773)
	\$ 17,868	\$ 340,069	\$ 357,937
	2018		
	Without Donor Restriction	With Donor Restriction	Total
Due within one year	\$ 403,591	\$ 406,000	\$ 809,591

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Note 6: Property and Equipment

Property and equipment at June 30, 2019 and 2018 consists of:

	2019	2018
Land and building	\$ 7,505,788	\$ 7,412,524
Building improvements	106,674	106,674
Leasehold improvements	1,679,013	1,679,013
Equipment	736,147	732,979
	10,027,622	9,931,190
Accumulated depreciation and amortization	(4,534,818)	(4,283,450)
	\$ 5,492,804	\$ 5,647,740

Note 7: Loans Receivable and Payable

CHLDC

- (A) CHLDC has unsecured interest-free loans payable under Deutsche Bank's working capital program. These loans mature at various dates through June 2020. The funds are to be used for development of affordable housing. The balance as of June 30, 2019 and 2018 was \$40,000 and 80,000, respectively.
- (B) CHLDC has a \$750,000 line of credit from Capital One Bank, with an interest rate of 1 percent and an expiration date of August 14, 2020. The balance due at June 30, 2019 and 2018 was \$250,000 and \$400,000, respectively. The line of credit is secured by any deposits held at that bank which was approximately \$1,487,000 at June 30, 2019.
- (C) On October 29, 2015 CHLDC obtained funding in the amount of \$8,541,800 from HUD under the Capital Advance Program and subsequently loaned the proceeds to Cypress Hills Senior Housing LP (Senior Housing) to fund construction of Senior Housing's Project. The mortgage loan was assigned to HUD and is subject to the requirements of the Capital Advance Program. The loan does not bear interest and all principal payments are deferred until maturity on April 1, 2057. The outstanding principal balance was \$8,541,800 at June 30, 2019 and 2018.
- (D) In 2019, CHLDC gave a loan to Cypress Pitkin-Berriman LP in the amount of \$375,000 for the financing of a housing development for low-income persons. The loan bears an interest at a rate of .25 percent annually and the principal balance is due 45 years from the date of permanent conversion of the financing for the project. The loan is secured by a mortgage on the property upon which Cypress Pitkin-Berriman LP intends to construct the housing development. The amount due to CHLDC as of June 30, 2019 was \$375,000.

**Cypress Hills Local Development Corporation, Inc.
and Subsidiaries**
Notes to Consolidated Financial Statements
June 30, 2019 and 2018

CHLDC interest expense for the years ended June 30, 2019 and 2018 was \$2,199 and \$6,339, respectively.

Child Care

- (A) Child Care acquired property located at 3285-87 Fulton Street, Brooklyn, NY to expand its program services and administrative offices.

Child Care obtained funding for the purchase through the execution of two loans: The first one from the Local Initiatives Support Corporation bears interest at a rate of 6 percent per annum. The loan matured on May 1, 2018 and was subsequently extended until February 1, 2020. The outstanding principal balance as of June 30, 2019 and 2018 was \$1,128,830.

- (B) The second loan, from The New York Pooled PRI Fund, LLC and The Contact Fund LLC, is for \$480,000 and bears interest at a rate of 6 percent. The loan matured on April 6, 2018. The lender has provided an extension until September 30, 2020 at the same interest rate. As per the modified terms, if certain conditions are not met by September 30, 2020, the loan will convert into a five-year obligation, with a maturity date of June 30, 2024 and will bear interest at a rate of 4.72 percent. The outstanding principal balance as of June 30, 2019 and 2018 was \$480,000.

Interest of \$73,196 and \$96,321 was capitalized during the years ended June 30, 2019 and 2018, respectively. The loans are secured by a mortgage and security agreement.

Arlington

- (A) Construction funds were provided by an award granted by the State of New York Housing Trust Fund Corporation (HTFC). The award totaled \$1,575,000 and comprises of a grant portion, \$1,232,609, and a loan portion \$342,391. The final construction award disbursement was made in January 2000, and the total amount disbursed to date for the award was \$1,566,642. The allocation of the award to grant and loan was \$1,226,069 and \$340,573, respectively. The grant portion is secured by a Grant Conditions Compliance Enforcement Mortgage which states, among other matters, that Arlington is required to operate the premises pursuant to an Equity and Regulatory Agreement and to comply with mortgage covenants during the term of the mortgage. In the event of default, as defined, remedies include immediate repayment of the amount of the grant. The loan portion is also secured by a mortgage. The loan shall bear interest on the outstanding balance at the un-compounded rate of 12 percent per annum accruing after final disbursement of the loan. The loan principal, together with the total of accrued interest and charges, shall be payable on the thirtieth anniversary of the final disbursement of the loan, January 5, 2030. As of June 30, 2019 and 2018, the accrued interest was \$776,509 and \$715,206, respectively. The fixed assets of Arlington serve as collateral for the loan.

Arlington interest expense was \$40,869 for the years ended June 30, 2019 and 2018.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Cypress West

- (A) In December 2006, Cypress West entered into a Consolidation, Extension and Modification Agreement with the City of New York Department of Housing Preservation and Development (HPD) whereby consolidating all three loans into a single lien amount of \$753,099. The consolidation, extension and modification agreement provides for, among other matters, an interest rate of .50 percent per annum and requires a onetime interest only payment on January 1, 2007 and payments of principal and interest of \$850 per month beginning February 1, 2007 until January 1, 2037, when the balance of the indebtedness then remaining unpaid (approximately \$544,881) with any interest then accrued thereon together with any additional payments which may be due the mortgage pursuant to the provisions of the agreement, shall be due and payable. The Cypress West real property located at 52-54 Sunnyside Avenue serve as collateral for the loan. The balance of the mortgage as of June 30, 2019 and 2018 was \$670,690 and \$677,517, respectively.
- (B) In June 2010, Cypress West acquired real property located at 188 Jerome Street, 656 Jamaica Avenue, 116 Crescent Street and 122/128 Crescent Street, Brooklyn, NY from Hills Associates L.P. (Hills Properties). The real property serves as collateral for a mortgage with HPD. The mortgage requires monthly interest only payments at the rate of 1 percent per annum and a 1/4 percent servicing fee and matures September 1, 2021. There will be no amortization of principal until maturity when the full amount is due. The balance of the mortgage as of June 30, 2019 and 2018 was \$1,711,613.
- (C) In addition to the mortgage related to the Hills Properties, Cypress West has another mortgage in the amount of \$121,005 with HPD. The mortgage is to provide funds for building reserves. The Hills Properties serve as collateral for the loan. The loan bears no interest and shall be due and payable in full on January 1, 2042. The balance of the mortgage as of June 30, 2019 and 2018 is \$121,005.
- (D) In addition to the mortgages related to the Hills Properties, Cypress West has another mortgage in the amount of \$212,226 with HPD 8A loan evidenced by two notes in the amount of \$193,226 (HPD Loan Portion) and \$29,879 (HPD Project Loan Portion). The mortgage is to provide funds for building improvements. The Hills Properties serve as collateral for the loan. The loan bears no interest and shall be due and payable in full on January 1, 2042. The balance drawn as of June 30, 2019 and 2018 was \$205,425.

Cypress West interest expense was \$1,914 and \$3,406 for the years ended June 30, 2019 and 2018, respectively.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Cypress Homes

- (A) In June 1998, Cypress Homes entered into a building loan agreement with the Local Initiatives Support Corporation (LISC) in the amount of \$1,840,000. The purpose of the loan was to acquire and renovate nine buildings from HPD Neighborhood Homes Program (NHP). Upon sale of individual buildings to eligible persons the portion of the loan applicable to a particular building is transferred to the buyer. The loan is evidenced by two notes, the first building note in the amount of \$690,000 (LISC portion) and a second building note in the amount of \$1,150,000 (City of New York portion). The agreement provides for, among other matters, an interest rate of 6 percent on the LISC portion. Eight buildings were sold and their respective loan balances were transferred to the buyers. Only one building remains, 2836 Fulton Street, Brooklyn, NY with an outstanding loan balance of \$199,999, City of New York Portion for June 30, 2019 and 2018. The building was placed in service in 2004. The building, 2836 Fulton Street, Brooklyn, NY, serves as collateral for the loan.
- (B) In May 2012, Cypress Homes acquired properties from the City of New York and entered into a Declaration of Interest and Nominee Agreement with Cypress Village, LP (Partnership), a New York State Limited Partnership, whereas Cypress Homes assigned and transferred to the Partnership all beneficial and equitable interest in, to and with respect to the properties located at 371 Van Siclen Avenue, 315 Jerome Street and 525 Linwood Street, Brooklyn, NY. The Declaration of Interest and Nominee Agreement provides for, among other matters, the following:
- Cypress Homes is to retain legal title to the property.
 - The beneficial and equitable interest of the development has been transferred to the Partnership.
 - The Partnership shall be the beneficial and equitable owner of the development for all purposes, including federal income tax purposes, and shall have all rights related thereto including, but not limited to, the right to receive all proceeds from the development, including rents and other moneys from mortgages, pledges, sales, or other disposition of the development.
 - The Partnership is to have all management authority and responsibilities.

The properties are also subject to an Enforcement Mortgage dated May 23, 2012 between Cypress Homes, the Partnership, and New York City Housing Preservation and Development in the amount of \$789,995. The purpose of the enforcement mortgage is to prevent use of the property other than its intended use. The enforcement mortgage matures on earlier of May 22, 2044 or the 30th anniversary of the Permanent Loan Closing Date, September 30, 2015. No payment of interest or principal is required and on the maturity date, providing there is no default as defined, the mortgage shall be deemed satisfied. The enforcement mortgage liability has not been recorded in these consolidated financial statements since Cypress Homes is joint and severally liable and has transferred all beneficial and equitable interest in the property to the Partnership.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Cypress Homes has the following mortgages related to 2966 Fulton Street:

- (C) In July 2013, Cypress Homes entered into a mortgage agreement with M&T Bank in the amount of \$361,000. The loan agreement provides for principal and interest payments at the rate of 6.36 percent. The loan matures in August 2023. The real property serves as collateral for mortgage. The loan balance at June 30, 2019 and 2018 was \$300,829 and \$310,759, respectively.
- (D) In March 2014, Cypress Homes entered into a mortgage with LISC in the amount of \$27,407. The loan agreement provides for principal and interest payments at the rate of 3.5 percent commencing April 1, 2014. The loan was to mature on March 1, 2017, however no evidence of the loan satisfaction was received by Cypress Homes, nor has Cypress Homes been billed for interest on the loan. The real property serves as collateral for mortgage. As of June 30, 2019 and 2018, the balance of the loan was zero. All principal payments were made.
- (E) In July 2013, Cypress Homes entered into a Substitute Enforcement Mortgage with HPD in the amount of \$42,000. The purpose of the enforcement mortgage is to prevent use of the property other than its intended use. No payment of principal or interest is required and on the maturity date, providing there is no default as defined, the mortgage shall be deemed satisfied. The maturity date is July 24, 2033. The real property serves as collateral for mortgage.
- (F) In July 2013, Cypress Homes entered into a Substitute Mortgage with HPD in the amount of \$69,568. The purpose of the mortgage was to assist in the rehab of the building. The loan has no interest and the principal is due on the maturity date, providing there is no default as defined. The maturity date is July 24, 2033. The real property serves as collateral for mortgage.

Cypress Homes interest expense was \$26,146 and \$20,452 for the years ended June 30, 2019 and 2018, respectively.

Principal payments on these loans payable for the next five years and thereafter are as follows:

Year Ending June 30	CHLDC	Child Care	Arlington	Cypress West	Cypress Homes	Total
2020	\$ 290,000	\$ 1,608,830	\$ -	\$ 6,879	\$ 27,076	\$ 1,932,785
2021	-	-	-	6,914	14,987	21,901
2022	-	-	-	1,718,562	15,969	1,734,531
2023	-	-	-	6,983	17,012	23,995
2024	-	-	-	6,983	17,012	23,995
Thereafter	8,541,800	-	340,573	962,412	520,340	10,365,125
	<u>\$ 8,831,800</u>	<u>\$ 1,608,830</u>	<u>\$ 340,573</u>	<u>\$ 2,708,733</u>	<u>\$ 612,396</u>	<u>\$ 14,102,332</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Note 8: Net Assets

Net Assets With Donor Restrictions

Net assets with donor restrictions at June 30, 2019 and 2018 are available for the following purposes or periods:

	2019	2018
Subject to expenditure for specified purpose		
Youth and human services	\$ 1,011,055	\$ 1,288,506
Housing development and counseling	52,715	64,349
Community organizing	69,670	61,871
HTFC enforcement mortgage (Arlington)	1,226,069	1,226,069
Subject to the passage of time	-	250,000
	\$ 2,359,509	\$ 2,890,795

Net Assets Released from Restrictions

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

	2019	2018
Expiration of time restrictions	\$ 250,000	\$ -
Satisfaction of purpose restrictions		
Youth and human services	2,386,469	2,587,035
Housing development and counseling	54,633	79,249
Economic development	-	1,142
Community organizing	193,488	255,378
	\$ 2,884,590	\$ 2,922,804

Note 9: Operating Leases

CHLDC entered into a noncancelable operating lease for office space at 625 Jamaica Avenue that expires on October 31, 2020. 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.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

CHLDC entered into the following leases with related parties:

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

The Organization's rent expense for the years ended June 30, 2019 and 2018 was \$323,602 and \$296,110, respectively.

Future minimum payments are due as follows:

2020	\$	224,707
2021		223,668
2022		215,954
2023		196,503
2024		150,266
Thereafter		1,932
Total		\$ 1,013,030

The Organization leases office equipment under noncancelable operating lease agreements which expire at various dates through October 2024. Equipment rental expense for the years ended June 30, 2019 and 2018 was \$92,871 and \$85,065, respectively.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

The minimum annual lease payments are as follows:

2020	\$	36,561
2021		34,521
2022		23,952
2023		12,313
2024		1,172
Thereafter		<u>-</u>
Total	\$	<u>108,519</u>

Note 10: Rental Income

The Organization receives rental income from four leases for use of their facilities. The leases expire on various dates between May 2019 and August 2021. Minimum rental income is due as follows:

2020	\$	56,672
2021		45,593
2022		<u>5,723</u>
Total	\$	<u>107,988</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Note 11: Significant Estimates and Concentrations

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 receivables and revenues from New York City and New York State as of and for the years ended June 30, 2019 and 2018 are as follows:

	2019	
	Receivables	Revenues
New York City	\$ 2,565,647	\$ 9,811,013
New York State	909,035	3,317,117
Other	-	2,188,246
	\$ 3,474,682	\$ 15,316,376
	2018	
	Receivables	Revenues
New York City	\$ 2,464,007	\$ 9,197,060
New York State	1,359,733	2,493,812
Other	106,293	2,035,193
	\$ 3,930,033	\$ 13,726,065

General Litigation

The Organization is subject to claims and lawsuits that can arise in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the Organization. Events could occur that would change this estimate materially in the near term.

Note 12: Pension Plan

The Organization has a Section 403(b) retirement plan covering all full-time employees after one year of service. The Organization may match the employees' contribution up to a maximum limit, as determined on an annual basis. Pension expense for the years ended June 30, 2019 and 2018 was \$147,279 and \$138,710, respectively.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Note 13: Commitments

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

- (A) Cypress Homes HDFC for the benefit of M&T Bank – The maximum value of the loan is \$361,000. At June 30, 2019 and 2018, the balance was \$300,829 and \$310,759, respectively.
- (B) 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, 2019 and 2018, the balance was \$1,128,830.
- (C) 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, 2019 and 2018, the balance was \$480,000.
- (D) Cypress Pitkin-Berriman LP for the benefit of Citi Bank – The maximum value of the loan is \$16,100,000. At June 30, 2019 and 2018, the balance was \$7,020,119 and \$15,128,727, respectively.

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). As of June 30, 2019 the following is the status of the two projects:

As of June 30, 2019, 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, 2019, 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, 2019, 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 \$390,000. As of June 30, 2019, 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.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Note 14: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, comprise the following:

	2019
Financial assets	
Cash	\$ 1,590,074
Grants receivable	3,769,703
Contributions receivable	62,916
Accounts receivable	281,707
Total financial assets	5,704,400
Donor imposed restrictions	
Restricted funds	2,359,509
Financial assets available to meet cash needs for general expenditures within one year	\$ 3,344,891

The Organization receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures.

Note 15: Subsequent Events

Subsequent events have been evaluated through July 21, 2020, which is the date the consolidated financial statements were available to be issued.

As a result of the spread of the COVID-19 coronavirus, economic uncertainties have arisen which may negatively affect the consolidated financial position, changes in net assets and cash flows of the Organization. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On April 28, 2020, the Organization received a loan in the amount of approximately \$2,260,000 pursuant to the Paycheck Protection Program. The loan is due two years from the date of the first disbursement under the loan and has a fixed interest rate of 1 percent per year. A portion of the loan may be forgiven; however, as of the date of this report any amount of forgiveness is unable to be determined.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Note 16: Future Changes in Accounting Principle

Revenue Recognition

The Financial Accounting Standards Board (FASB) amended its standards related to revenue recognition. This amendment replaces all existing revenue recognition guidance and provides a single, comprehensive revenue recognition model for all contracts with customers. The guidance provides a five-step analysis of transactions to determine when and how revenue is recognized. Other major provisions include capitalization of certain contract costs, consideration of the time value of money in the transaction price and allowing estimates of variable consideration to be recognized before contingencies are resolved in certain circumstances. The amendment also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in those judgments and assets recognized from costs incurred to fulfill a contract. The standard allows either full or modified retrospective adoption effective for nonpublic entities for annual periods beginning after December 15, 2019, and any interim periods within annual reporting periods that begin after December 15, 2020. The Organization is in the process of evaluating the effect the amendment will have on the financial statements.

Not-for-Profit Accounting Standard for Grants and Contributions

On June 21, 2018, FASB issued Accounting Standards Update (ASU) 2018-08. This standard clarifies existing guidance on determining whether a transaction with a resource provider, *e.g.*, the receipt of funds under a government grant or contract, is a contribution or an exchange transaction. The guidance requires all organizations to evaluate whether the resource provider is receiving commensurate value in a transfer of assets transaction, and whether contributions are conditional or unconditional.

If commensurate value is received by the resource provider, the transaction would be accounted for as an exchange transaction by applying Topic 606, *Revenue from Contracts with Customers*, or other topics. The standard clarifies that a resource provider is not synonymous with the general public. Indirect benefit received by the public as a result of the assets transferred is not equivalent to commensurate value received by the resource provider. If commensurate value is not received by the resource provider, *i.e.*, the transaction is nonexchange, the recipient organization would record the transaction as a contribution under Topic 958 and determine whether the contribution is conditional or unconditional.

FASB expects that the new standard could result in more grants and contracts being accounted for as contributions (often conditional contributions) than under current generally accepted accounting principles. Because of this, it believes the clarifying guidance about whether a contribution is conditional or unconditional, which affects the timing of revenue recognition, is important. Both the recipient and resource provider would equally apply the guidance.

The standard will be effective for reporting periods beginning on or after December 15, 2018. The Organization is evaluating the impact the standard will have on the consolidated financial statements.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2019 and 2018

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Organization is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Restricted Cash

FASB recently issued ASU 2016-18, which requires balances generally described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling beginning and end-of-period balances on the statements of cash flows. The Organization expects to first apply the ASU during its fiscal year ending June 30, 2020, through retrospective application to previous years' statements for comparative purposes. The Organization is in the process of evaluating the effect the amendment will have on the financial statements.

Supplementary Information

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidating Statement of Financial Position

June 30, 2019

	Cypress Hills Local Development Corporation	Cypress Hills Child Care Corporation	Arlington Apartments Housing Development Fund Corporation	Cypress West Housing Development Fund Corporation	Cypress Homes Housing Development Fund Corporation	Eliminations	Total
Assets							
Cash	\$ 1,102,509	\$ 315,042	\$ (7,315)	\$ 164,211	\$ 15,627	\$ -	\$ 1,590,074
Cash - tenants' security deposits	46,000	3,200	9,839	17,626	1,159	-	77,824
Grants receivable	3,474,682	-	-	-	-	-	3,474,682
Contributions receivable	357,937	-	-	-	-	-	357,937
Accounts receivable	34,157	218,398	6,499	2,550	20,103	-	281,707
Prepaid expenses and deposits	60,518	10,171	42,219	-	14,398	-	127,306
Mortgage escrow	-	-	-	-	8,701	-	8,701
Loans receivable	8,916,800	-	-	-	-	-	8,916,800
Due from related parties	843,755	-	419	28,269	-	(434,725)	437,718
Assets limited as to use - cash	-	-	25,411	258,159	-	-	283,570
Property and equipment, net	37,852	2,076,231	932,008	1,590,709	856,004	-	5,492,804
Other assets	-	-	2,731	44,963	-	-	47,694
	<u>\$ 14,874,210</u>	<u>\$ 2,623,042</u>	<u>\$ 1,011,811</u>	<u>\$ 2,106,487</u>	<u>\$ 915,992</u>	<u>\$ (434,725)</u>	<u>\$ 21,096,817</u>
Liabilities and Net Assets (Deficit)							
Liabilities							
Accounts payable and accrued expenses	\$ 1,390,286	\$ 317,542	\$ 58,360	\$ 51,508	\$ 103,776	\$ -	\$ 1,921,472
Grant advances	456,759	-	-	-	-	-	456,759
Due to related parties	-	30,000	31,745	12,456	360,524	(434,725)	-
Prepaid rent	8,365	-	-	-	-	-	8,365
Tenants' security deposits payable	46,000	3,200	9,839	17,626	1,159	-	77,824
Deferred rent	73,342	-	30,162	816	-	-	104,320
Loans payable	8,831,800	1,608,830	340,573	2,708,733	612,396	-	14,102,332
Accrued interest payable	-	16,067	776,509	-	-	-	792,576
	<u>10,806,552</u>	<u>1,975,639</u>	<u>1,247,188</u>	<u>2,791,139</u>	<u>1,077,855</u>	<u>(434,725)</u>	<u>17,463,648</u>
Net Assets (Deficit)							
Without donor restriction	2,934,218	647,403	(1,461,446)	(684,652)	(161,863)	-	1,273,660
With donor restriction	1,133,440	-	1,226,069	-	-	-	2,359,509
	<u>4,067,658</u>	<u>647,403</u>	<u>(235,377)</u>	<u>(684,652)</u>	<u>(161,863)</u>	<u>-</u>	<u>3,633,169</u>
Total liabilities and net assets (deficit)	<u>\$ 14,874,210</u>	<u>\$ 2,623,042</u>	<u>\$ 1,011,811</u>	<u>\$ 2,106,487</u>	<u>\$ 915,992</u>	<u>\$ (434,725)</u>	<u>\$ 21,096,817</u>

**Cypress Hills Local Development Corporation, Inc.
and Subsidiaries**
Consolidating Schedule of Revenues and Other Support and Expenses
Year Ended June 30, 2019

	Cypress Hills Local Development Corporation	Cypress Hills Child Care Corporation	Arlington Apartments Housing Development Fund Corporation	Cypress West Housing Development Fund Corporation	Cypress Homes Housing Development Fund Corporation	Eliminations	Total
Revenues and Other Support							
Government grants	\$ 12,617,773	\$ 2,698,603	\$ -	\$ -	\$ -	\$ -	\$ 15,316,376
Contributions	2,532,379	375,029	-	-	-	-	2,907,408
Special events	113,456	-	-	-	-	-	113,456
Direct cost of special events	(35,553)	-	-	-	-	-	(35,553)
Contributed services	102,000	101,015	-	-	-	-	203,015
Management and development fees	185,000	-	-	-	-	-	185,000
Rental income	134,124	-	205,281	304,939	96,241	(55,897)	684,688
Interest income	-	19	42	4,064	-	-	4,125
Miscellaneous income	48,190	82,236	27,366	44,345	26,972	-	229,109
Total revenues and other support	15,697,369	3,256,902	232,689	353,348	123,213	(55,897)	19,607,624
Expenses							
Salaries	9,688,761	1,538,131	-	-	-	-	11,226,892
Payroll taxes and employee benefits	2,089,903	422,472	-	-	-	-	2,512,375
Property management and administrative	-	-	37,658	56,108	21,551	-	115,317
Rent and utilities	356,537	130,191	47,504	92,917	29,633	(55,897)	600,885
Supplies	281,259	55,892	-	-	-	-	337,151
Professional services and consultants	1,738,747	45,975	1,451	1,047	2,632	-	1,789,852
Contributed services - professional fees	102,000	101,015	-	-	-	-	203,015
Telephone and internet	46,258	8,368	117	-	3,389	-	58,132
Equipment rental and maintenance	189,021	225	-	-	-	-	189,246
Printing and postage	42,817	3,908	-	-	-	-	46,725
Building repair and maintenance	48,223	18,229	94,717	90,677	15,811	-	267,657
Insurance, taxes and licenses	193,183	24,138	93,511	46,532	35,992	-	393,356
Travel	54,892	-	33	-	-	-	54,925
Conferences and training	32,459	18,224	-	-	-	-	50,683
Interest	2,199	-	40,869	1,914	26,146	-	71,128
Advertising	25,248	-	-	-	-	-	25,248
Youth events and activities	347,445	675	-	-	-	-	348,120
Stipends	42,447	-	-	-	-	-	42,447
Dues and subscriptions	35,206	4,310	-	-	-	-	39,516
Fees (permits, fees and other)	41,391	5,131	-	-	-	-	46,522
Food and refreshments	104,358	680,015	-	-	-	-	784,373
Depreciation and amortization	78,887	1,000	50,617	93,878	26,986	-	251,368
Bad debt	70,794	-	17,923	26,105	11,849	-	126,671
Miscellaneous	60,765	25,906	34,998	20,081	2,532	-	144,282
Total expenses	15,672,800	3,083,805	419,398	429,259	176,521	(55,897)	19,725,886
Change in Net Assets (Deficit)	24,569	173,097	(186,709)	(75,911)	(53,308)	-	(118,262)
Net Assets (Deficit), Beginning of Year	4,043,087	474,308	(48,668)	(608,741)	(108,555)	-	3,751,431
Net Assets (Deficit), End of Year	\$ 4,067,656	\$ 647,405	\$ (235,377)	\$ (684,652)	\$ (161,863)	\$ -	\$ 3,633,169

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Cypress Hills Local Development Corporation, Inc. (Parent Only) Statement of Financial Position

June 30, 2019

Assets

Cash	\$ 1,102,509
Cash - tenants' security deposits	46,000
Grants receivable	3,474,682
Contributions receivable	357,937
Accounts receivable	34,157
Prepaid expenses and deposits	60,518
Loans receivable	8,916,800
Due from related parties	843,755
Property and equipment, net	<u>37,852</u>
Total assets	<u>\$ 14,874,210</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 1,390,286
Grant advances	456,759
Prepaid rent	8,365
Tenant security deposits	46,000
Deferred rent	73,342
Loans payable	<u>8,831,800</u>
Total liabilities	<u>10,806,552</u>

Net Assets

Without donor restriction	2,934,218
With donor restriction	<u>1,133,440</u>
Total net assets	<u>4,067,658</u>
Total liabilities and net assets	<u>\$ 14,874,210</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Cypress Hills Local Development Corporation, Inc. (Parent Only) Schedule of Functional Expenses Year Ended June 30, 2019

	Program Services				Supporting Services			
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	Total	Management and General	Fund Raising	Special Events	Total
Salaries	\$ 7,523,355	\$ 776,467	\$ 303,804	\$ 8,603,626	\$ 900,322	\$ 184,813	\$ -	\$ 9,688,761
Payroll taxes and employee benefits	1,526,753	174,889	98,987	1,800,629	234,210	55,064	-	2,089,903
Total salaries and related expenses	9,050,108	951,356	402,791	10,404,255	1,134,532	239,877	-	11,778,664
Rent and utilities	162,906	53,819	21,030	237,755	118,782	-	-	356,537
Supplies	235,273	30,234	3,305	268,812	12,447	-	-	281,259
Professional services and consultants	616,924	959,821	15,039	1,591,784	146,963	-	-	1,738,747
Contributed services - professional fees	-	-	-	-	102,000	-	-	102,000
Telephone and internet	28,234	9,308	1,822	39,364	6,894	-	-	46,258
Equipment rental and maintenance	130,709	30,718	3,633	165,060	23,961	-	-	189,021
Printing and postage	33,889	5,924	747	40,560	2,257	-	-	42,817
Building repair and maintenance	10,348	23,862	6,400	40,610	7,613	-	-	48,223
Insurance, taxes and licenses	152,964	17,652	6,755	177,371	15,812	-	-	193,183
Travel	46,219	1,328	3,701	51,248	3,644	-	-	54,892
Conferences and training	22,321	3,354	760	26,435	6,024	-	-	32,459
Interest	-	-	-	-	2,199	-	-	2,199
Advertising	18,392	378	1,077	19,847	5,401	-	-	25,248
Catering and entertainment	-	-	-	-	-	-	35,553	35,553
Youth events and activities	344,392	26	940	345,358	2,087	-	-	347,445
Stipends	42,447	-	-	42,447	-	-	-	42,447
Dues and subscriptions	8,294	4,593	1,175	14,062	21,144	-	-	35,206
Fees (permits, fees and other)	14,898	10,322	149	25,369	16,022	-	-	41,391
Food and refreshments	91,184	1,627	1,885	94,696	9,662	-	-	104,358
Depreciation and amortization	62,321	4,733	2,367	69,421	7,889	1,577	-	78,887
Bad debt	-	-	-	-	70,794	-	-	70,794
Miscellaneous	30,733	398	437	31,568	22,504	6,693	-	60,765
Total expenses before direct cost of special events	11,102,556	2,109,453	474,013	13,686,022	1,738,631	248,147	35,553	15,708,353
Less direct cost of special events	-	-	-	-	-	-	(35,553)	(35,553)
Total expenses	<u>\$ 11,102,556</u>	<u>\$ 2,109,453</u>	<u>\$ 474,013</u>	<u>\$ 13,686,022</u>	<u>\$ 1,738,631</u>	<u>\$ 248,147</u>	<u>\$ -</u>	<u>\$ 15,672,800</u>