

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

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2020 and 2019



**Cypress Hills Local Development Corporation, Inc.  
and Subsidiaries  
June 30, 2020 and 2019**

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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, 2020 and 2019, 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 13 percent and 12 percent as of June 30, 2020 and 2019, respectively and total revenues and other support constituting 17 percent of consolidated total revenues and other support for the years ended 2020 and 2019. Those statements were audited by another auditor, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Cypress Hills Child Care Corporation, is based solely on the reports of the other auditor. 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, 2020 and 2019, 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 Matters***

As described in *Note 2* to the consolidated financial statements, during the year ended June 30, 2020, Cypress Hills Local Development Corporation, Inc. and Subsidiaries adopted Accounting Standards Update 2018-08, *Not-for-Profit Entities* (Topic 958): *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

As described in *Note 2* to the consolidated financial statements, in 2020, Cypress Hills Local Development Corporation, Inc. and Subsidiaries adopted ASU 2016-18, *Statement of Cash Flows* (Topic 230): *Restricted Cash*. 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  
May 10, 2021

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Consolidated Statements of Financial Position June 30, 2020 and 2019

	2020	2019
<b>Assets</b>		
Cash	\$ 4,923,546	\$ 1,590,074
Cash - tenants' security deposits	77,875	77,824
Grants receivable, net of allowance \$67,312 in 2020 and \$21,930 in 2019	3,175,621	3,474,682
Contributions receivable, net of allowance \$6,328 in 2020 and \$14,773 in 2019	135,767	357,937
Accounts receivable, net of allowance \$27,790 in 2019 and \$42,790 in 2019	389,569	281,707
Prepaid expenses and deposits	239,620	127,306
Deferred rental income	81,753	-
Mortgage escrow	6,429	8,701
Loans receivable	8,916,800	8,916,800
Due from related parties, net of allowance; \$2,486,025 in 2020 and \$2,762,000 in 2019	319,630	437,718
Assets limited as to use	289,505	283,570
Property and equipment, net	5,429,457	5,492,804
Other assets	15,701	47,694
	<u>\$ 24,001,273</u>	<u>\$ 21,096,817</u>
Total assets		
<b>Liabilities and Net Assets</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,832,559	\$ 1,921,472
Grant advances	668,867	456,759
Prepaid rent	-	8,365
Tenants' security deposits payable	77,875	77,824
Deferred rent payable	139,160	104,320
Loans payable	16,443,098	14,102,332
Due to related parties	14,065	-
Accrued interest payable	801,351	792,576
	<u>19,976,975</u>	<u>17,463,648</u>
Total liabilities		
<b>Net Assets</b>		
Without donor restrictions	919,245	1,273,660
With donor restrictions	3,105,053	2,359,509
	<u>4,024,298</u>	<u>3,633,169</u>
Total net assets		
Total liabilities and net assets	<u>\$ 24,001,273</u>	<u>\$ 21,096,817</u>

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Consolidated Statement of Activities Year Ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and Other Support</b>			
Government grants	\$ 14,040,880	\$ -	\$ 14,040,880
Contributions	7,526	3,120,929	3,128,455
Special events	\$ 2,500		
Less direct cost of special events	<u>(6,071)</u>		
Net revenue from special events	(3,571)	-	(3,571)
Contributed services	202,414	-	202,414
Management and development fees	267,731	-	267,731
Rental income	1,062,435	-	1,062,435
Interest	29,836	-	29,836
Miscellaneous income	232,824	-	232,824
Net assets released from restrictions	<u>2,375,385</u>	<u>(2,375,385)</u>	<u>-</u>
Total revenues and other support	<u>18,215,460</u>	<u>745,544</u>	<u>18,961,004</u>
<b>Expenses</b>			
Program services			
Youth and human services	9,859,248	-	9,859,248
Housing development and counseling	2,063,803	-	2,063,803
Economic development and community organizing	262,828	-	262,828
Early childhood education	2,704,532	-	2,704,532
Affordable housing projects	<u>1,031,154</u>	<u>-</u>	<u>1,031,154</u>
Total program services	<u>15,921,565</u>	<u>-</u>	<u>15,921,565</u>
Supporting services			
Management and general	2,307,280	-	2,307,280
Fundraising	<u>341,030</u>	<u>-</u>	<u>341,030</u>
Total supporting services	<u>2,648,310</u>	<u>-</u>	<u>2,648,310</u>
Total expenses	<u>18,569,875</u>	<u>-</u>	<u>18,569,875</u>
<b>Change in Net Assets</b>	(354,415)	745,544	391,129
<b>Net Assets, Beginning of Year</b>	<u>1,273,660</u>	<u>2,359,509</u>	<u>3,633,169</u>
<b>Net Assets, End of Year</b>	<u>\$ 919,245</u>	<u>\$ 3,105,053</u>	<u>\$ 4,024,298</u>

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Consolidated Statement of Activities Year Ended June 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
<b>Revenues and Other Support</b>			
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	<u>(35,553)</u>		
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	<u>2,884,590</u>	<u>(2,884,590)</u>	<u>-</u>
Total revenues and other support	<u>20,138,910</u>	<u>(531,286)</u>	<u>19,607,624</u>
<b>Expenses</b>			
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	<u>1,025,178</u>	<u>-</u>	<u>1,025,178</u>
Total program services	<u>17,410,478</u>	<u>-</u>	<u>17,410,478</u>
Supporting services			
Management and general	1,998,081	-	1,998,081
Fundraising	<u>317,327</u>	<u>-</u>	<u>317,327</u>
Total supporting services	<u>2,315,408</u>	<u>-</u>	<u>2,315,408</u>
Total expenses	<u>19,725,886</u>	<u>-</u>	<u>19,725,886</u>
<b>Change in Net Assets</b>	413,024	(531,286)	(118,262)
<b>Net Assets, Beginning of Year</b>	<u>860,636</u>	<u>2,890,795</u>	<u>3,751,431</u>
<b>Net Assets, End of Year</b>	<u>\$ 1,273,660</u>	<u>\$ 2,359,509</u>	<u>\$ 3,633,169</u>

**Cypress Hills Local Development Corporation, Inc. and Subsidiaries**  
**Consolidated Statement of Functional Expenses**  
**Year Ended June 30, 2020**

	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	\$ 6,883,400	\$ 887,949	\$ 178,804	\$ 1,368,437	\$ -	\$ 9,318,590	\$ 1,367,542	\$ 237,980	\$ -	\$ 10,924,112
Payroll taxes and employee benefits	1,396,493	206,345	49,462	323,934	-	1,976,234	316,467	92,919	-	2,385,620
Total salaries and related expenses	8,279,893	1,094,294	228,266	1,692,371	-	11,294,824	1,684,009	330,899	-	13,309,732
Property management and administrative	-	-	-	-	107,124	107,124	-	-	-	107,124
Rent and utilities	57,753	93,315	5,600	97,467	222,641	476,776	328,178	2,808	-	807,762
Supplies	195,007	13,701	2,193	38,606	-	249,507	20,692	319	-	270,518
Professional services and consultants	459,114	701,933	6,352	69,068	22,809	1,259,276	56,525	-	-	1,315,801
Contributed services - professional fees	-	-	-	99,289	-	99,289	103,125	-	-	202,414
Telephone and internet	27,021	7,912	4,246	9,597	5,315	54,091	19,558	294	-	73,943
Equipment rental and maintenance	106,867	16,304	1,721	-	-	124,892	118,144	-	-	243,036
Printing and postage	26,931	2,632	354	3,599	-	33,516	2,943	-	-	36,459
Building repair and maintenance	14,858	8,827	1,214	17,875	241,573	284,347	19,437	-	-	303,784
Insurance, taxes and licenses	208,011	30,446	6,141	25,778	162,424	432,800	3,505	789	-	437,094
Travel	29,042	242	118	1,423	-	30,825	5,233	-	-	36,058
Conferences and training	51,197	4,657	3,720	10,587	-	70,161	10,195	-	-	80,356
Interest	-	-	-	-	48,766	48,766	4,601	-	-	53,367
Advertising	19,400	4,512	-	-	-	23,912	4,164	-	-	28,076
Catering and entertainment	-	-	-	-	-	-	-	-	6,071	6,071
Youth events and activities	254,693	1,489	474	3,576	-	260,232	290	-	-	260,522
Stipends	26,586	250	-	37,846	-	64,682	-	-	-	64,682
Dues and subscriptions	4,965	7,915	-	-	-	12,880	31,770	-	-	44,650
Fees (permits, fees and other)	8,748	3,162	98	7,386	-	19,394	24,456	113	-	43,963
Food and refreshments	53,473	1,259	1,642	582,554	-	638,928	75,715	-	-	714,643
Depreciation and amortization	-	-	-	-	171,269	171,269	16,027	-	-	187,296
Bad debt	-	-	-	-	9,190	9,190	(253,910)	-	-	(244,720)
Miscellaneous	35,689	70,953	689	7,510	40,043	154,884	32,623	5,808	-	193,315
Total expenses	9,859,248	2,063,803	262,828	2,704,532	1,031,154	15,921,565	2,307,280	341,030	6,071	18,575,946
Less direct cost of special events deducted from revenues and other support on the statement of activities	-	-	-	-	-	-	-	-	(6,071)	(6,071)
Total expenses reported by function on the statement of activities	\$ 9,859,248	\$ 2,063,803	\$ 262,828	\$ 2,704,532	\$ 1,031,154	\$ 15,921,565	\$ 2,307,280	\$ 341,030	\$ -	\$ 18,569,875



**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 Statements of Cash Flows Years Ended June 30, 2020 and 2019

	2020	2019
<b>Operating Activities</b>		
Change in net assets	\$ 391,129	\$ (118,262)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	187,296	251,368
Bad debt	(244,720)	126,671
Changes in		
Grants receivable	344,443	433,676
Contributions receivable	213,725	445,325
Accounts receivable	(122,862)	(55,007)
Prepaid expenses and deposits	(112,314)	(5,934)
Deferred rent	(81,753)	-
Other assets	31,993	(45,849)
Accounts payable and accrued expenses	(101,812)	(216,366)
Mortgage escrow	2,272	(4,064)
Grant advances	212,108	74,340
Deferred rental income	(8,365)	(2,969)
Tenants' security deposits payable	51	45,952
Deferred rent payable	34,840	104,320
Accrued mortgage interest payable	20,433	61,303
Net cash provided by operating activities	766,464	1,094,504
<b>Investing Activities</b>		
Purchase of property and equipment	(122,709)	(96,432)
Loans to related parties	(150,004)	(278,052)
Loan payments from related parties	390,275	-
Net cash used in investing activities	117,562	(374,484)
<b>Financing Activities</b>		
Proceeds from loans	2,786,429	250,000
Principal payments on loans	(330,997)	(458,286)
Net cash provided by (used in) financing activities	2,455,432	(208,286)
<b>Increase in Cash and Restricted Cash</b>	3,339,458	511,734
<b>Cash and Restricted Cash, Beginning of Year</b>	1,951,468	1,439,734
<b>Cash and Restricted Cash, End of Year</b>	\$ 5,290,926	\$ 1,951,468
<b>Cash and Restricted Cash Consist of:</b>		
Cash	\$ 4,923,546	\$ 1,590,074
Cash - tenant's security deposits	77,875	77,824
Assets limited as to use	289,505	283,570
	\$ 5,290,926	\$ 1,951,468
<b>Supplemental Cash Flows Information</b>		
Cash paid during the year for interest	\$ 32,125	\$ 71,128

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

## **Notes to Consolidated Financial Statements June 30, 2020 and 2019**

### **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, 2020 and 2019**

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***

Uninvested cash included in assets limited as to use is considered to be cash.

At June 30, 2020, the Organization's cash accounts exceeded federally insured limits by approximately \$1,040,000.

### ***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.

### ***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, 2020 and 2019

### ***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, 2020 and 2019.

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

### 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.

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 without donor restrictions.

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

## **Notes to Consolidated Financial Statements June 30, 2020 and 2019**

### ***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 2020 and 2019, the total value of in-kind services was \$103,125 and \$102,000, 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 2020 and 2019, the total value of in-kind services was \$99,289 and \$101,015, 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.

### ***Revisions***

Certain immaterial revisions have been made to the 2019 financial statements to present bad debt expense on the statement of cash flows separately from changes in accounts receivable and to segregate construction in progress on *Note 6* from buildings. These revisions did not have a significant impact on the financial statements.

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

### **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, effort reporting and square footage.

### **Note 2: Changes in Accounting Principles**

In 2020, the Organization adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The core guidance in ASU 2018-08 is to clarify 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 adoption had no impact on change in net assets or the change in timing of recognition for grants or contributions.

During 2020, the Organization adopted Accounting Standards Update (ASU) 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The new accounting guidance in ASU 2016-18 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.

This change was applied retrospectively to all periods presented which resulted in the following changes within the 2019 statement of cash flows:

	<b>As Originally Reported</b>	<b>As Reported Under ASU 2016-18</b>	<b>Effect of Change</b>
Operating activities			
Decrease in tenants' security deposits	\$ (48,166)	\$ -	\$ 48,166
Net cash provided by operating activities	1,046,338	1,094,504	48,166
Investing activities			
Increase in assets limited as to use	(4,923)	-	4,923
Net cash used in investing activities	(379,407)	(374,484)	4,923
Net change in cash and restricted cash	458,645	511,734	53,089
Cash and restricted cash, beginning of year	1,131,429	1,439,734	308,305
Cash and restricted cash, end of year	1,590,074	1,951,468	361,394



# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

### 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, 2020 and 2019 is as follows:

	2020	2019
Operating reserve fund	\$ 96,925	\$ 95,927
Replacement reserve fund	39,139	36,200
Project capital reserve fund	153,441	151,443
	\$ 289,505	\$ 283,570

### 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 Community School Development Corporation
- Glenmore Gardens HDFC
- Chestnut Commons HDFC

During 2020 and 2019, the Organization recorded management and development fees of \$267,731 and \$185,000, respectively, from related parties.

As of June 30, 2020 and 2019, the Organization had a net receivable of \$319,630 and \$437,718 due from related parties, respectively.

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

As of June 30, 2020, the Organization had a net payable of \$14,065 due to related parties.

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, 2020 and 2019, the Organization has loan receivables of \$8,916,800 from related parties.

### Note 5: Contributions Receivable

Contributions receivable consisted of the following:

	<b>2020</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
Due within one year	\$ 12,328	\$ 129,767	\$ 142,095
Less			
Allowance for uncollectible contributions	-	(6,328)	(6,328)
	\$ 12,328	\$ 123,439	\$ 135,767
	<b>2019</b>		
	<b>Without Donor Restriction</b>	<b>With Donor Restriction</b>	<b>Total</b>
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

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

### Note 6: Property and Equipment

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

	2020	2019
Land and building	\$ 5,431,785	\$ 5,431,785
Construction in progress	2,188,651	2,074,003
Building improvements	106,674	106,674
Leasehold improvements	1,679,013	1,679,013
Equipment	745,447	736,147
	10,151,570	10,027,622
Accumulated depreciation and amortization	(4,722,113)	(4,534,818)
	\$ 5,429,457	\$ 5,492,804

### 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, 2020 and 2019 was \$40,000.
- (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, 2020 and 2019 was \$0 and \$250,000, respectively. The line of credit is secured by any deposits held at that bank which was approximately \$780,000 at June 30, 2020. Subsequent to year end, the line of credit expired and a new line of credit for \$500,000 was approved by Capital One Bank on October 19, 2020. The line of credit is secured by any deposits held at the bank.
- (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, 2020 and 2019.
- (D) On March 27, 2020, President Trump signed into law the *Coronavirus Aid, Relief, and Economic Security Act*. On May 1, 2020, the Organization received a loan in the amount of \$2,263,062 pursuant to the Paycheck Protection Program (PPP).

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

The Organization has elected to account for the funding as a loan in accordance with Accounting Standards Codification (ASC) Topic 470, *Debt*. 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. Any forgiveness of the loan will be recognized as a gain in the consolidated financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration or lender; as a result of such audit, adjustments could be required to any gain recognized. The Organization is in the process of applying for forgiveness.

- (E) 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, 2020 and 2019 was \$375,000.

CHLDC's interest expense for the years ended June 30, 2020 and 2019 was \$4,601 and \$2,199, 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 October 1, 2021. The outstanding principal balance as of June 30, 2020 and 2019 was \$1,168,908 and \$1,128,830, respectively.

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. As of the date of the report, the loan has converted. The outstanding principal balance as of June 30, 2020 and 2019 was \$380,107 and \$480,000, respectively.

- (B) On April 16, 2020, Child Care received a loan in the amount of \$408,700 pursuant to the PPP.

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

Child Care has elected to account for the funding as a loan in accordance with Accounting Standards Codification (ASC) Topic 470, *Debt*. 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. Any forgiveness of the loan will be recognized as a gain in the consolidated financial statements in the period the debt is legally released. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration or lender; as a result of such audit, adjustments could be required to any gain recognized. The Organization is in the process of applying for forgiveness.

Interest of \$73,246 and \$73,196 was capitalized during the years ended June 30, 2020 and 2019, 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, 2020 and 2019, the balance of the loan was \$340,573. As of June 30, 2020 and 2019, the accrued interest was \$796,944 and \$776,509, respectively. The fixed assets of Arlington serve as collateral for the loan.

Arlington's interest expense was \$20,435 and \$40,869 for the years ended June 30, 2020 and 2019, respectively.

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

### **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 \$545,000) 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, 2020 and 2019 was \$663,827 and \$670,690, 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, 2020 and 2019 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, 2020 and 2019 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, 2020 and 2019 was \$205,426.

Cypress West's interest expense was \$4,499 and \$1,914 for the years ended June 30, 2020 and 2019, respectively.

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

### **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, 2020 and 2019. 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, 2020 and 2019

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, 2020 and 2019 was \$286,510 and \$300,829, 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, 2020 and 2019, 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 \$23,025 and \$26,146 for the years ended June 30, 2020 and 2019, 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
2021	\$ 1,103,890	\$ 1,453,799	\$ -	\$ 6,914	\$ 27,744	\$ 2,592,347
2022	1,199,172	311,483	-	1,718,562	15,969	3,245,186
2023	-	90,013	-	6,983	17,012	114,008
2024	-	102,420	-	6,983	17,012	126,415
2025	-	-	-	6,983	17,012	23,995
Thereafter	8,541,800	-	340,573	955,446	503,328	10,341,147
	<u>\$ 10,844,862</u>	<u>\$ 1,957,715</u>	<u>\$ 340,573</u>	<u>\$ 2,701,871</u>	<u>\$ 598,077</u>	<u>\$ 16,443,098</u>



# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

### Note 8: Net Assets

#### *Net Assets With Donor Restrictions*

Net assets with donor restrictions at June 30, 2020 and 2019 are available for the following purposes or periods:

	2020	2019
Subject to expenditure for specified purpose		
Youth and human services	\$ 1,380,448	\$ 1,011,055
Housing development and counseling	-	52,715
Community organizing	498,536	69,670
HTFC enforcement mortgage (Arlington)	1,226,069	1,226,069
	\$ 3,105,053	\$ 2,359,509

#### *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.

	2020	2019
Expiration of time restrictions	\$ -	\$ 250,000
Satisfaction of purpose restrictions		
Youth and human services	1,916,559	2,386,469
Housing development and counseling	70,445	54,633
Community organizing	388,381	193,488
	\$ 2,375,385	\$ 2,884,590

### Note 9: 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.

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

CHLDC entered into the following leases with related parties:

- CHLDC entered into a noncancelable operating lease with Arlington Apartments HDFC for office space located at 3214 Fulton Street that expires on December 31, 2024. Monthly rental payments are subject to annual increases. This lease transaction has been eliminated in the consolidation and is not included in the future minimum payments below.
- CHLDC entered into a noncancelable operating lease with Cypress Homes HDFC for office space located at 2836 Fulton Street that expires on December 31, 2024. Monthly rental payments are subject to annual increases. This lease transaction has been eliminated in the consolidation and is not included in the future minimum payments below.
- CHLDC entered into a noncancelable operating lease with Cypress Homes HDFC for office space at 2966 Fulton Street that expires on August 31, 2023. Monthly rental payments are subject to annual increases. This lease transaction has been eliminated in the consolidation and is not included in the future minimum payments below.
- CHLDC entered into a noncancelable operating lease with Cypress Plaza Group LP for office space at 2810 Fulton Street that expires on July 31, 2025. Monthly rental payments are subject to annual increases.
- CHLDC entered into a noncancelable operating lease agreement with Cypress Pitkin-Berriman LP for office space. The lease expires May 31, 2049. Monthly rental payments are subject to annual increases.
- 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, 2020 and 2019 was \$494,658 and \$323,602, respectively.

Future minimum payments are due as follows:

2021	\$	445,407
2022		443,583
2023		400,069
2024		338,720
2025		174,492
Thereafter		<u>4,981,419</u>
Total	\$	<u>6,783,690</u>

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

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, 2020 and 2019 was \$105,119 and \$92,871, respectively.

The minimum annual lease payments are as follows:

2021	\$	34,521
2022		23,952
2023		12,313
2024		1,172
2025		<u>-</u>
Total	\$	<u>71,958</u>

### Note 10: Rental Income

The Organization receives rental income from four leases for use of their facilities. The leases expire on various dates through December 2029. Minimum rental income is due as follows:

2021	\$	218,666
2022		182,258
2023		180,066
2024		183,667
2025		187,340
Thereafter		<u>685,191</u>
Total	\$	<u>1,637,188</u>

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

### 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, 2020 and 2019 are as follows:

	<b>2020</b>	
	<b>Receivables</b>	<b>Revenues</b>
New York City	\$ 2,337,434	\$ 9,717,063
New York State	819,150	2,677,429
Other	19,037	1,646,388
	<u>\$ 3,175,621</u>	<u>\$ 14,040,880</u>
	<b>2019</b>	
	<b>Receivables</b>	<b>Revenues</b>
New York City	\$ 2,565,647	\$ 9,811,013
New York State	909,035	3,317,117
Other	-	2,188,246
	<u>\$ 3,474,682</u>	<u>\$ 15,316,376</u>

#### **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, 2020 and 2019 was \$163,201 and \$147,279, respectively.

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Notes to Consolidated Financial Statements June 30, 2020 and 2019

### 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, 2020 and 2019, the balance was \$287,239 and \$300,829, 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, 2020 and 2019, the balance was \$1,168,908 and \$1,128,830, respectively.
- (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, 2020 and 2019, the balance was \$380,107 and \$480,000, respectively.
- (D) Cypress Pitkin-Berriman LP for the benefit of Citi Bank – The maximum value of the loan is \$16,100,000. In 2020, Cypress Pitkin-Berriman LP obtained permanent financing and the Organization is no longer a guarantor. At June 30, 2019, the balance was \$7,020,119.

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, 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, 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, 2020, CHLDC has not made any contributions towards this project.

As of June 30, 2020 and 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 \$620,000 and \$390,000, respectively. As of June 30, 2020, 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, 2020 and 2019

### Note 14: Grant Reimbursements Receivable and Future Commitments

CHLDC receives its grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreement. Since the consolidated financial statements of CHLDC are prepared on the accrual basis, all earned portions of the grants not yet received as of June 30, 2020, have been recorded as receivables. The following are the grant commitments that extend beyond June 30, 2020:

Grant	Term	Grant Amount	Earned or Forfeited as of June 30, 2020	Funding Available
Government grants	Through 2024	\$ 35,660,331	\$ 18,695,540	\$ 16,964,791

### Note 15: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, comprise the following:

	2020	2019
Financial assets		
Cash	\$ 4,923,546	\$ 1,590,074
Grants receivable, net	3,175,621	3,769,703
Contributions receivable, net	135,767	62,916
Accounts receivable, net	389,569	281,707
Total financial assets	8,624,503	5,704,400
Donor imposed restrictions		
Restricted funds	3,105,053	2,359,509
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 5,519,450</u>	<u>\$ 3,344,891</u>

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 16: Subsequent Events

Subsequent events have been evaluated through May 10, 2021, which is the date the consolidated financial statements were available to be issued.

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

## **Notes to Consolidated Financial Statements June 30, 2020 and 2019**

### **Note 17: 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.

#### ***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.

## **Supplementary Information**



**Cypress Hills Local Development Corporation, Inc. and Subsidiaries**  
**Consolidating Statement of Financial Position**  
**June 30, 2020**

	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
<b>Assets</b>							
Cash	\$ 3,899,417	\$ 819,710	\$ 7,181	\$ 188,292	\$ 8,946	\$ -	\$ 4,923,546
Cash - tenants' security deposits	46,000	3,200	9,839	17,677	1,159	-	77,875
Grants receivable, net	3,175,621	-	-	-	-	-	3,175,621
Contributions receivable, net	135,767	-	-	-	-	-	135,767
Accounts receivable, net	144,047	169,218	20,850	24,034	31,420	-	389,569
Prepaid expenses and deposits	156,952	52,510	28,746	-	1,412	-	239,620
Deferred rent	81,753	-	-	-	-	-	81,753
Mortgage escrow	-	-	-	-	6,429	-	6,429
Loans receivable	8,916,800	-	-	-	-	-	8,916,800
Due from related parties	795,625	-	419	42,551	-	(518,965)	319,630
Assets limited as to use - cash	-	-	25,411	264,094	-	-	289,505
Property and equipment, net	34,284	2,186,711	881,392	1,498,052	829,018	-	5,429,457
Other assets	-	-	330	15,371	-	-	15,701
	<u>\$ 17,386,266</u>	<u>\$ 3,231,349</u>	<u>\$ 974,168</u>	<u>\$ 2,050,071</u>	<u>\$ 878,384</u>	<u>\$ (518,965)</u>	<u>\$ 24,001,273</u>
Total assets							
<b>Liabilities and Net Assets (Deficit)</b>							
<b>Liabilities</b>							
Accounts payable and accrued expenses	\$ 1,287,786	\$ 188,986	\$ 122,062	\$ 90,950	\$ 142,775	\$ -	\$ 1,832,559
Grant advances	668,867	-	-	-	-	-	668,867
Prepaid rent	-	-	-	-	-	-	-
Tenants' security deposits payable	46,000	3,200	9,839	17,677	1,159	-	77,875
Deferred rent	135,616	-	2,969	575	-	-	139,160
Loans payable	10,844,862	1,957,715	340,573	2,701,871	598,077	-	16,443,098
Due to related parties	-	144,665	15,813	12,456	360,096	(518,965)	14,065
Accrued interest payable	-	4,407	796,944	-	-	-	801,351
	<u>12,983,131</u>	<u>2,298,973</u>	<u>1,288,200</u>	<u>2,823,529</u>	<u>1,102,107</u>	<u>(518,965)</u>	<u>19,976,975</u>
Total liabilities							
<b>Net Assets (Deficit)</b>							
Without donor restriction	2,524,151	932,376	(1,540,101)	(773,458)	(223,723)	-	919,245
With donor restriction	1,878,984	-	1,226,069	-	-	-	3,105,053
	<u>4,403,135</u>	<u>932,376</u>	<u>(314,032)</u>	<u>(773,458)</u>	<u>(223,723)</u>	<u>-</u>	<u>4,024,298</u>
Total net assets (deficit)							
Total liabilities and net assets (deficit)	<u>\$ 17,386,266</u>	<u>\$ 3,231,349</u>	<u>\$ 974,168</u>	<u>\$ 2,050,071</u>	<u>\$ 878,384</u>	<u>\$ (518,965)</u>	<u>\$ 24,001,273</u>

# Cypress Hills Local Development Corporation, Inc. and Subsidiaries

## Consolidating Schedule of Revenues and Other Support and Expenses

### Year Ended June 30, 2020

	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
<b>Revenues and Other Support</b>							
Government grants	\$ 11,355,452	\$ 2,685,428	\$ -	\$ -	\$ -	\$ -	\$ 14,040,880
Contributions	2,676,734	451,721	-	-	-	-	3,128,455
Special events	2,500	-	-	-	-	-	2,500
Direct cost of special events	(6,071)	-	-	-	-	-	(6,071)
Contributed services	103,125	99,289	-	-	-	-	202,414
Management and development fees	267,731	-	-	-	-	-	267,731
Rental income	379,186	-	259,206	364,528	115,412	(55,897)	1,062,435
Interest income	29,339	497	-	-	-	-	29,836
Miscellaneous income	101,840	68,294	33,745	28,945	-	-	232,824
	<u>14,909,836</u>	<u>3,305,229</u>	<u>292,951</u>	<u>393,473</u>	<u>115,412</u>	<u>(55,897)</u>	<u>18,961,004</u>
<b>Total revenues and other support</b>							
<b>Expenses</b>							
Salaries	9,327,756	1,596,356	-	-	-	-	10,924,112
Payroll taxes and employee benefits	2,007,733	377,887	-	-	-	-	2,385,620
Property management and administrative	-	-	32,412	49,651	25,061	-	107,124
Rent and utilities	528,271	112,747	57,767	130,743	34,131	(55,897)	807,762
Supplies	227,006	43,512	-	-	-	-	270,518
Professional services and consultants	1,219,924	73,068	7,659	8,674	6,476	-	1,315,801
Contributed services - professional fees	103,125	99,289	-	-	-	-	202,414
Telephone and internet	57,432	11,196	636	-	4,679	-	73,943
Equipment rental and maintenance	243,036	-	-	-	-	-	243,036
Printing and postage	32,860	3,599	-	-	-	-	36,459
Building repair and maintenance	44,336	17,875	89,079	127,130	25,364	-	303,784
Insurance, taxes and licenses	244,598	30,072	97,647	37,957	26,820	-	437,094
Travel	34,635	1,423	-	-	-	-	36,058
Conferences and training	69,769	10,587	-	-	-	-	80,356
Interest	4,601	-	21,242	4,499	23,025	-	53,367
Advertising	28,076	-	-	-	-	-	28,076
Youth events and activities	256,946	3,576	-	-	-	-	260,522
Stipends	26,836	37,846	-	-	-	-	64,682
Dues and subscriptions	44,650	3,699	-	-	-	-	48,349
Fees (permits, fees and other)	34,941	5,323	-	-	-	-	40,264
Food and refreshments	130,952	583,691	-	-	-	-	714,643
Depreciation and amortization	15,027	1,000	50,616	93,667	26,986	-	187,296
Bad debt	(253,910)	-	9,190	-	-	-	(244,720)
Miscellaneous	145,762	7,510	5,356	29,957	4,730	-	193,315
	<u>14,574,362</u>	<u>3,020,256</u>	<u>371,604</u>	<u>482,278</u>	<u>177,272</u>	<u>(55,897)</u>	<u>18,569,875</u>
<b>Total expenses</b>							
<b>Change in Net Assets (Deficit)</b>	335,474	284,973	(78,653)	(88,805)	(61,860)	-	391,129
<b>Net Assets (Deficit), Beginning of Year</b>	<u>4,067,656</u>	<u>647,405</u>	<u>(235,377)</u>	<u>(684,652)</u>	<u>(161,863)</u>	<u>-</u>	<u>3,633,169</u>
<b>Net Assets (Deficit), End of Year</b>	<u>\$ 4,403,130</u>	<u>\$ 932,378</u>	<u>\$ (314,030)</u>	<u>\$ (773,457)</u>	<u>\$ (223,723)</u>	<u>\$ -</u>	<u>\$ 4,024,298</u>

**Cypress Hills Local Development Corporation, Inc. and Subsidiaries**  
**Cypress Hills Local Development Corporation, Inc. (Parent Only)**  
**Statement of Financial Position**  
**June 30, 2020**

**Assets**

Cash	\$ 3,899,417
Cash - tenants' security deposits	46,000
Grants receivable	3,175,621
Contributions receivable	135,767
Accounts receivable	144,047
Prepaid expenses and deposits	156,952
Deferred rental expense	81,753
Loans receivable	8,916,800
Due from related parties	795,625
Property and equipment, net	<u>34,284</u>
Total assets	<u><u>\$ 17,386,266</u></u>

**Liabilities and Net Assets**

**Liabilities**

Accounts payable and accrued expenses	\$ 1,287,786
Grant advances	668,867
Tenant security deposits	46,000
Deferred rent	135,616
Loans payable	<u>10,844,862</u>
Total liabilities	<u>12,983,131</u>

**Net Assets**

Without donor restriction	2,524,151
With donor restriction	<u>1,878,984</u>
Total net assets	<u>4,403,135</u>
Total liabilities and net assets	<u><u>\$ 17,386,266</u></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, 2020**

	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	\$ 6,883,400	\$ 887,949	\$ 178,804	\$ 7,950,153	\$ 1,181,505	\$ 196,098	\$ -	\$ 9,327,756
Payroll taxes and employee benefits	1,396,493	206,345	49,462	1,652,300	272,429	83,004	-	2,007,733
Total salaries and related expenses	8,279,893	1,094,294	228,266	9,602,453	1,453,934	279,102	-	11,335,489
Rent and utilities	113,650	93,315	5,600	212,565	315,706	-	-	528,271
Supplies	195,007	13,701	2,193	210,901	16,105	-	-	227,006
Professional services and consultants	459,114	701,933	6,352	1,167,399	52,525	-	-	1,219,924
Contributed services - professional fees				-	103,125	-	-	103,125
Telephone and internet	27,021	7,912	4,246	39,179	18,253	-	-	57,432
Equipment rental and maintenance	106,867	16,304	1,721	124,892	118,144	-	-	243,036
Printing and postage	26,931	2,632	354	29,917	2,943	-	-	32,860
Building repair and maintenance	14,858	8,827	1,214	24,899	19,437	-	-	44,336
Insurance, taxes and licenses	208,011	30,446	6,141	244,598	-	-	-	244,598
Travel	29,042	242	118	29,402	5,233	-	-	34,635
Conferences and training	51,197	4,657	3,720	59,574	10,195	-	-	69,769
Interest	-	-	-	-	4,601	-	-	4,601
Advertising	19,400	4,512	-	23,912	4,164	-	-	28,076
Catering and entertainment	-	-	-	-	-	-	6,071	6,071
Youth events and activities	254,693	1,489	474	256,656	290	-	-	256,946
Stipends	26,586	250	-	26,836	-	-	-	26,836
Dues and subscriptions	4,965	7,915	-	12,880	31,770	-	-	44,650
Fees (permits, fees and other)	8,748	3,162	98	12,008	22,933	-	-	34,941
Food and refreshments	53,473	1,259	1,642	56,374	74,578	-	-	130,952
Depreciation and amortization	-	-	-	-	15,027	-	-	15,027
Bad debt	-	-	-	-	(253,910)	-	-	(253,910)
Miscellaneous	35,689	70,953	689	107,331	32,623	5,808	-	145,762
Total expenses before direct cost of special events	9,915,145	2,063,803	262,828	12,241,776	2,047,676	284,910	6,071	14,580,433
Less direct cost of special events	-	-	-	-	-	-	(6,071)	(6,071)
Total expenses	<u>\$ 9,915,145</u>	<u>\$ 2,063,803</u>	<u>\$ 262,828</u>	<u>\$ 12,241,776</u>	<u>\$ 2,047,676</u>	<u>\$ 284,910</u>	<u>\$ -</u>	<u>\$ 14,574,362</u>