

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2011 AND 2010**

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

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## Independent Auditor's Report

**Board of Directors  
Cypress Hills Local Development  
Corporation**

We have audited the accompanying balance sheet of Cypress Hills Local Development Corporation as of June 30, 2011 and 2010, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of Cypress Hills Local Development Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Cypress Hills Local Development Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cypress Hills Local Development Corporation as of June 30, 2011 and 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

*Loeb & Troper LLP*

January 17, 2012

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**BALANCE SHEET**

**JUNE 30, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 627,660	\$ 458,135
Grants receivable	1,099,140	1,319,908
Accounts receivable	98,332	102,279
Contributions receivable - current	139,257	327,559
Prepaid expenses and deposits	70,959	36,703
Due from related parties (net of allowance for doubtful accounts of \$24,800 in 2011) (Note 4)	812,178	638,365
Fixed assets - net (Note 5)	<u>192,191</u>	<u>215,112</u>
 Total assets	 <u>\$ 3,039,717</u>	 <u>\$ 3,098,061</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 547,733	\$ 721,177
Grant advances	89,445	
Deferred rental income	10,650	10,650
Loans payable (Note 6)	<u>100,000</u>	<u>174,998</u>
 Total liabilities	 <u>747,828</u>	 <u>906,825</u>
Net assets (Exhibit B)		
Unrestricted	1,698,162	1,498,478
Temporarily restricted (Note 3)	<u>593,727</u>	<u>692,758</u>
 Total net assets	 <u>2,291,889</u>	 <u>2,191,236</u>
 Total liabilities and net assets	 <u>\$ 3,039,717</u>	 <u>\$ 3,098,061</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

CYPRESS HILLS LOCAL DEVELOPMENT CORPORATION

EXHIBIT B

STATEMENT OF ACTIVITIES

YEARS ENDED JUNE 30, 2011 AND 2010

	2011		2010	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Revenues and other support				
Government grants	\$ 4,749,351	\$	\$ 4,749,351	\$
Contributions	152,152	2,390,284	215,461	2,468,976
Management and development fees (Note 4)	510,430		303,848	
Sublease rental revenue	107,035		100,885	
Interest income	1,049		83	
Miscellaneous income	16,012		43,329	
Net assets released from restrictions (Note 3)	2,489,315	(2,489,315)	2,355,404	(2,355,404)
Total revenues and other support	8,025,344	(99,031)	7,516,284	113,572
Expenses (Exhibit C)				
Program services				
Youth and human services	4,605,140		4,941,242	
Housing development and counseling	1,598,411		1,215,689	
Economic development and community organizing	636,914		458,594	
Total program services	6,840,465		6,615,525	
Supporting services				
Management and general	811,809		531,827	
Fund raising	173,386		143,785	
Total supporting services	985,195		675,612	
Total expenses	7,825,660		7,291,137	
Change in net assets (Exhibit D)	199,684	(99,031)	225,147	113,572
Net assets - beginning of year	1,498,478	692,758	1,273,331	579,186
Net assets - end of year (Exhibit A)	\$ 1,698,162	\$ 593,727	\$ 1,498,478	\$ 692,758
				\$ 2,191,236

See independent auditor's report.

The accompanying notes are an integral part of these statements.

CYPRESS HILLS LOCAL DEVELOPMENT CORPORATION

EXHIBIT C

STATEMENT OF FUNCTIONAL EXPENSES  
YEARS ENDED JUNE 30, 2011 AND 2010

	2011					
	Program Services			Supporting Services		
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	Management and General	Fund Raising	Total
Salaries	\$ 2,921,681	\$ 645,802	\$ 359,249	\$ 469,744	\$ 122,585	\$ 4,519,061
Payroll taxes and employee benefits	798,478	176,494	98,181	128,378	33,502	1,235,033
Total salaries and related expenses	3,720,159	822,296	457,430	598,122	156,087	5,754,094
Development and capital assistance		140,767				140,767
Rent and utilities (Note 8)	60,893	90,514	10,805	1,036		163,248
Supplies	108,026	12,445	13,234	15,194	3,039	151,938
Professional services and consultants	295,042	430,573	87,353	47,914		860,882
Telephone and internet	31,518	10,346	6,225	5,465	1,093	54,647
Postage	5,907	5,766	1,225	1,465	293	14,656
Equipment rental/maintenance	46,245	11,242	10,574	17,410		85,471
Printing	5,985	4,646	2,572	1,500	300	15,003
Cleaning and maintenance	5,560	575		3,805	203	10,143
Insurance	28,503	22,464	8,450	6,752	1,350	67,519
Travel	65,247	3,949	2,467	2,697		74,360
Conferences and training	24,539	9,851	3,387	2,062		39,839
Interest				706		706
Bank charges				1,145		1,145
Advertising	1,100	1,970	245	1,651	5,000	9,966
Youth events	63,672		2,835			66,507
Stipends	37,947	1,200	8,228	887		48,262
Dues and subscriptions	4,513	4,149		8,686		17,348
Fees	3,450	14,805		5,076		23,331
Refreshments	34,893	1,591	6,808	9,150	110	52,552
Depreciation and amortization	30,810	7,024	3,511	8,779		50,124
Bad debt expense				58,191		58,191
Incentives/other expenses	31,131	2,238	11,565	14,116	5,911	64,961
Total expenses (Exhibit B)	\$ 4,605,140	\$ 1,598,411	\$ 636,914	\$ 811,809	\$ 173,386	\$ 7,825,660

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CYPRESS HILLS LOCAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2011 AND 2010

EXHIBIT C  
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	2010					
	Program Services			Supporting Services		
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	Management and General	Fund Raising	Total
Salaries	\$ 3,113,675	\$ 627,926	\$ 289,012	\$ 4,030,613	\$ 95,134	\$ 4,453,622
Payroll taxes and employee benefits	891,422	179,770	82,742	1,153,934	27,236	1,275,038
Total salaries and related expenses	4,005,097	807,696	371,754	5,184,547	122,370	5,728,660
Development and capital assistance		149,091		149,091		149,091
Rent and utilities (Note 8)	43,932	76,965	5,078	125,975	3,500	136,831
Supplies	115,421	8,428	6,720	130,569	1,920	139,122
Professional services and consultants	222,419	38,686	17,562	278,667	2,000	304,144
Telephone and internet	35,951	9,741	6,217	51,909	2,783	57,525
Postage	7,243	3,548	1,565	12,356	1,091	13,447
Equipment rental/maintenance	81,671	18,223	12,772	112,666	3,512	117,678
Printing	11,007	4,389	2,095	17,491	450	21,644
Cleaning and maintenance	11,556	2,315	1,060	14,931	9,635	24,566
Insurance	34,892	26,563	3,342	64,797		64,797
Travel	74,677	4,155	1,306	80,138		84,809
Conferences and training	13,528	8,046	6,988	28,562	4,671	28,562
Interest					3,557	3,557
Bank charges					1,822	1,822
Advertising	1,876	25,581	360	27,817		27,817
Youth events	119,805		1,562	121,367	7,500	121,367
Stipends	42,188		3,500	45,688		45,688
Dues and subscriptions	7,119	2,774		9,893	100	10,312
Fees	285	5,110		5,395		5,395
Refreshments	35,954	3,335	6,272	45,561	163	49,224
Depreciation and amortization	32,278	7,359	3,678	43,315		43,315
Bad debt expense	3,953	11,999		15,952		15,952
Incentives/other expenses	40,390	1,685	6,763	48,838	3,411	52,848
Total expenses (Exhibit B)	\$ 4,941,242	\$ 1,215,689	\$ 458,594	\$ 6,615,525	\$ 143,785	\$ 7,291,137

See independent auditor's report.

The accompanying notes are an integral part of these statements.

CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION

STATEMENT OF CASH FLOWS

YEARS ENDED JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 100,653	\$ 338,719
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	50,124	52,513
Decrease (increase) in assets		
Grants receivable	220,768	(120,262)
Accounts receivable	3,947	(6,114)
Contributions receivable	188,302	153,816
Prepaid expenses and deposits	(34,256)	(22,196)
Due from related parties	(173,813)	(278,360)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(173,444)	(5,407)
Grant advances	89,445	(39,628)
Deferred rental income		10,650
	<u>271,726</u>	<u>83,731</u>
Net cash provided by operating activities		
Cash flows from investing activities		
Fixed asset acquisitions	<u>(27,203)</u>	<u>(5,673)</u>
Cash flows from financing activities		
Proceeds from loans	25,000	25,000
Principal payments on loans	<u>(99,998)</u>	<u>(50,002)</u>
Net cash used by financing activities	<u>(74,998)</u>	<u>(25,002)</u>
Net change in cash and cash equivalents	169,525	53,056
Cash and cash equivalents - beginning of year	<u>458,135</u>	<u>405,079</u>
Cash and cash equivalents - end of year	<u>\$ 627,660</u>	<u>\$ 458,135</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 706</u>	<u>\$ 3,557</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.



CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

**NOTE 1 - NATURE OF ORGANIZATION**

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

Cypress Hills is a not-for-profit organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Basis of accounting* - The financial statements are prepared on the accrual basis of accounting.

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

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

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

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CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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

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

*Contributions receivable* - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Interest is not charged on outstanding receivables.

*Allowance for doubtful accounts* - Management determines whether an allowance for doubtful accounts is necessary for grants, accounts and contributions receivable and due from related parties. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. Such estimate is based on management's assessments of the creditworthiness of its grantors and contributors, the aged basis of its receivables, as well as current economic conditions, subsequent receipts and historical information. Cypress Hills has determined that no allowance for uncollectable accounts for grants, accounts and contributions receivable is necessary as of June 30, 2011 and 2010.

*Fixed assets* - Fixed assets are recorded at cost. Items with a cost of \$500 or more and an estimated useful life of more than one year are capitalized. Depreciation of assets is computed using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the lesser of the term of the lease or the estimated useful lives of the improvements.

*Grant advances* - Payments from government agencies in excess of qualifying expenses under the terms of the contract are reflected on the balance sheet as grant advances.

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

*Unrestricted net assets* - Unrestricted net assets include funds having no restriction as to use or purpose imposed by donors.

*Temporarily restricted net assets* - Temporarily restricted net assets are those whose use by Cypress Hills has been limited by donors to a specific time period or purpose.

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CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

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

**Government grants** - Revenues from government contracts are recognized when reimbursable expenses are incurred under the terms of the contract. Such revenues are subject to audit by the agencies. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments.

**Contributions** - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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

**Functional allocation of expenses** - The costs of providing Cypress Hills' services have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

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

**Advertising** - Advertising costs are expensed when incurred.

**Uncertainty in income taxes** - Cypress Hills has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending June 30, 2008 and subsequent remain subject to examination by applicable taxing authorities.

**Subsequent events** - Subsequent events have been evaluated through January 17, 2012, which is the date the financial statements were available to be issued.

**Reclassification** - To conform to the current year's presentation, management fees receivable previously included in contributions receivable were reclassified to accounts receivable.

**Management and development fees** - Revenues from management and development fees are recognized based on the terms of the signed agreements.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2011 and 2010 are available for the following purposes or periods:

	<u>2011</u>	<u>2010</u>
Community development	\$ 126,809	\$ 132,002
Economic development and community organizing	4,847	143,209
Housing development and counseling	12,581	32,049
Youth and human services	439,490	375,498
For periods after June 30	<u>10,000</u>	<u>10,000</u>
	<u>\$ 593,727</u>	<u>\$ 692,758</u>

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

	<u>2011</u>	<u>2010</u>
Community development	\$ 499,740	\$ 746,069
Economic development and community organizing	97,177	117,050
Housing development and counseling	268,131	247,759
Youth and human services	1,624,267	1,073,526
Lapse of time restriction	<u>                    </u>	<u>171,000</u>
	<u>\$ 2,489,315</u>	<u>\$ 2,355,404</u>

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CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2011 AND 2010

**NOTE 4 - RELATED PARTIES**

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

125 Fountain Avenue LP  
Cypress Court Housing Corporation  
Cypress Corners Housing Corporation  
Cypress Hills Community School Development Corporation, Inc.  
Cypress Hills Housing Corporation  
Arlington Apartment HDFC  
Cypress Homes HDFC  
Cypress Plaza Group LP  
Cypress West HDFC  
Glenmore Gardens HDFC  
Cypress Hills Child Care Corporation  
Cypress Corners LP  
Cypress Court Associates LP  
Cypress Hills Liberty, Inc.  
Cypress Mews HDFC  
Cypress Plaza Development Corporation  
Liberty Apartments HDFC  
Pitkin-Berriman HDFC  
Cypress Village Housing Corporation  
Cypress Village LP  
Cypress Hills Senior Housing HDFC

During 2011 and 2010, Cypress Hills recorded management and development fees of \$510,430 and \$303,848, respectively, from these related parties.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

**NOTE 5 - FIXED ASSETS**

	<u>2011</u>	<u>2010</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 303,054	\$ 303,054	25 years
Equipment	<u>468,332</u>	<u>441,129</u>	5 years
	771,386	744,183	
Accumulated depreciation and amortization	<u>(579,195)</u>	<u>(529,071)</u>	
	<u>\$ 192,191</u>	<u>\$ 215,112</u>	

**NOTE 6 - LOANS PAYABLE**

Cypress Hills has unsecured interest-free loans payable under Deutsche Bank's working capital program. These loans mature at various dates through 2014 and are eligible for renewal at maturity. The funds are to be used for development of affordable housing. The balance as of June 30, 2011 and 2010 was \$100,000.

During 2009, Cypress Hills obtained a \$330,000 line of credit from Capital One Bank with an interest rate of 3%. In October 2010, the line of credit was extended, under the same terms, until November 1, 2014. As of June 30, 2011 and 2010, the balance due was \$0 and \$74,998, respectively.

Interest expense for the years ended June 30, 2011 and June 30, 2010 was \$706 and \$3,557, respectively.

Future loan payments are as follows:

2012	\$ 50,000
2013	25,000
2014	<u>25,000</u>
	<u>\$ 100,000</u>

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

**NOTE 7 - GOVERNMENT AUDITS**

Revenues and expenses for services rendered are subject to fiscal and compliance audits by the government grantor agencies. No provision for audit adjustments has been recorded in the financial statements. Management is of the opinion that adjustments, if any, will not have a material effect on the financial statements.

**NOTE 8 - LEASE COMMITMENTS**

Office space is leased under a 25-year operating lease expiring in 2015 at \$1 per year. Under the terms of the lease, Cypress Hills spent \$250,550 renovating the office space, which was capitalized and is being amortized over the life of the lease. The yearly amortization of \$10,022 on the original renovation approximates the fair value of the rental of the office space. Accordingly, Cypress Hills has not recorded donated rent or additional rent expense for this office space.

On January 1, 2007, Cypress Hills renewed its operating lease for a second office located at 3214 Fulton Street, Brooklyn, New York. The lease expired on December 31, 2009. Cypress Hills continues to make rental payments of \$990 on a month-to-month basis.

On January 1, 2007, Cypress Hills entered into an additional lease for an office located at 2836 Fulton Street, Brooklyn, New York. The lease expired on December 31, 2009. Between January and December 2010, Cypress Hills continued to make rental payments of \$715 on a month-to-month basis. On January 1, 2011, a new lease was signed. The lease expires on December 31, 2012. Monthly payments are \$787 and are not subject to any increases.

During 2010, Cypress Hills entered an operating lease for additional office space at 832 Jamaica Avenue. Monthly payments were \$1,750. The lease expired in October 2011 and was subsequently renewed until October 2013. Under the terms of the new lease, monthly payments are \$2,000 and are not subject to any increases.

During 2010, Cypress Hills entered into an operating lease agreement with Cypress Plaza Group LP for additional office space. The lease expires in 2024. Monthly rental payments are subject to annual increases.

Rent expense for the years ended June 30, 2011 and 2010 was \$134,070 and \$113,047, respectively.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

**NOTE 8 - LEASE COMMITMENTS (continued)**

The future minimum annual rental payments are due as follows:

2012	\$ 113,419
2013	111,195
2014	91,120
2015	85,812
2016	87,528
Thereafter	<u>766,236</u>
Total	<u>\$ 1,255,310</u>

**NOTE 9 - RENTAL INCOME**

Cypress Hills receives rental income from four leases for use of their facilities. The leases expire in 2019. Minimum rental income is due as follows:

2012	\$ 105,165
2013	109,983
2014	115,406
2015	118,937
2016	119,232
Thereafter	<u>382,349</u>
Total	<u>\$ 951,072</u>

**NOTE 10 - CONCENTRATIONS**

The majority of Cypress Hills' government grants are funded through New York State and New York City government programs. The outstanding grants receivable due from New York City as of June 30, 2011 and 2010 are \$502,867 and \$676,320, respectively. The outstanding grants receivable due from New York State as of June 30, 2011 and 2010 are \$228,843 and \$333,575, respectively.

Financial instruments which potentially subject Cypress Hills to a concentration of credit risk are cash accounts with financial institutions in excess of FDIC insurance limits.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2011 AND 2010**

**NOTE 11 - PENSION PLAN**

In December 1999, Cypress Hills established a Section 403(b) retirement plan covering all full-time employees after one year of service. Cypress Hills may match the employees' contribution up to a maximum limit, as determined on a yearly basis. The pension expense for the years ended June 30, 2011 and 2010 was \$51,212 and \$41,627, respectively.

**NOTE 12 - COMMITMENTS**

Cypress Hills has guaranteed loans for the following Corporations:

- A. Cypress Hills Child Care Corporation for the benefit of Local Initiatives Support Corporation (LISC). The maximum value of the loan is \$575,000. At June 30, 2011, the balance was \$54,804.
- B. Glenmore Gardens HDFC for the benefit of LISC - The maximum value of the loan is \$150,000. At June 30, 2011, the balance was \$78,505.
- C. Glenmore Gardens HDFC for the benefit of Capital One Bank - The maximum value of the loan is \$2,442,632. At June 30, 2011, the balance was \$2,075,175.
- D. Cypress West HDFC for the benefit of LISC - The maximum value of the loan is \$98,000. At June 30, 2011, the balance was \$98,000.
- E. Cypress Homes HDFC for the benefit of LISC - The maximum value of the loan is \$2,000,000. At June 30, 2011, the balance was \$693,292.
- F. Cypress Homes HDFC for the benefit of Low Income Investment Fund (LIIF) - The maximum value of the loan is \$2,328,378. At June 30, 2011, the balance was \$802,616.