

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

Independent Auditor's Report and Consolidated Financial Statements

June 30, 2018



Cypress Hills Local Development Corporation, Inc. and Subsidiaries

June 30, 2018

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Cypress Hills Local Development Corporation, Inc. and Subsidiaries, which comprise the consolidated statement of financial position as of June 30, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year 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 audit. We did not audit the financial statements of Cypress Hills Child Care Corporation and the Housing Development Fund Corporations disclosed in *Note 1*, wholly owned subsidiaries, which statements reflect total assets constituting 31% of consolidated total assets as of June 30, 2018, and total revenues and other support constituting 20% of consolidated total revenues and other support for the year then ended. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Cypress Hills Child Care Corporation and the Housing Development Fund Corporations listed in *Note 1*, is based solely on the reports of the other auditors. We conducted our audit 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 audit 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, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 13* to the financial statements, opening net assets has been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

Supplementary Information

Our audit was 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 24, 2019

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidated Statement of Financial Position June 30, 2018

Assets

Cash	\$ 1,131,429
Cash - tenants' security deposits	27,824
Grants receivable	3,930,033
Contributions receivable	809,591
Accounts receivable, net of allowance; 2018 - \$15,000	325,337
Prepaid expenses and deposits	121,372
Mortgage escrow	4,637
Loan receivable	8,541,800
Due from related parties, net of allowance; 2018 - \$2,762,000	512,757
Assets limited as to use	278,622
Property and equipment, net	5,647,740
Other assets	<u>1,843</u>
Total assets	<u><u>\$ 21,332,985</u></u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 2,134,155
Grant advances	382,419
Deferred rental income	11,334
Accrued interest payable	715,206
Tenants' security deposits payable	27,824
Loans payable	<u>14,310,616</u>
Total liabilities	<u>17,581,554</u>

Net Assets

Unrestricted	860,636
Temporarily restricted	<u>2,890,795</u>
Total net assets	<u>3,751,431</u>
Total liabilities and net assets	<u><u>\$ 21,332,985</u></u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidated Statement of Activities Year Ended June 30, 2018

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues and Other Support			
Government grants	\$13,726,065	\$ -	\$13,726,065
Contributions	473,106	2,614,950	3,088,056
Special events	\$ 159,184		
Less direct cost of special events	<u>(37,989)</u>		
Net revenue from special events	121,195	-	121,195
Contributed services	520,177	-	520,177
Management and development fees	143,324	-	143,324
Rental income	693,679	-	693,679
Interest	3,873	-	3,873
Miscellaneous income	269,656	-	269,656
Net assets released from restrictions	<u>2,922,804</u>	<u>(2,922,804)</u>	<u>-</u>
Total revenues and other support	<u>18,873,879</u>	<u>(307,854)</u>	<u>18,566,025</u>
Expenses			
Program services			
Youth and human services	10,965,791	-	10,965,791
Housing development and counseling	1,016,498	-	1,016,498
Economic development and community organizing	420,675	-	420,675
Early childhood education	2,703,087	-	2,703,087
Affordable housing projects	<u>878,287</u>	<u>-</u>	<u>878,287</u>
Total program services	<u>15,984,338</u>	<u>-</u>	<u>15,984,338</u>
Supporting services			
Management and general	2,152,823	-	2,152,823
Fund raising	<u>202,294</u>	<u>-</u>	<u>202,294</u>
Total supporting services	<u>2,355,117</u>	<u>-</u>	<u>2,355,117</u>
Total expenses	<u>18,339,455</u>	<u>-</u>	<u>18,339,455</u>
Change in Net Assets	<u>534,424</u>	<u>(307,854)</u>	<u>226,570</u>
Net Assets, Beginning of Year, as Previously Stated	1,657,413	1,972,580	3,629,993
Restatement	<u>(1,331,201)</u>	<u>1,226,069</u>	<u>(105,132)</u>
Net Assets, Beginning of Year, as Restated	<u>326,212</u>	<u>3,198,649</u>	<u>3,524,861</u>
Net Assets, End of Year	<u>\$ 860,636</u>	<u>\$ 2,890,795</u>	<u>\$ 3,751,431</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended June 30, 2018

	Program Services					Total
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	Early Childhood Education	Affordable Housing Projects	
Salaries	\$ 7,375,707	\$ 599,137	\$ 297,531	\$ 1,246,964	\$ -	\$ 9,519,339
Payroll taxes and employee benefits	1,639,329	133,165	66,129	334,863	-	2,173,486
Total salaries and related expenses	9,015,036	732,302	363,660	1,581,827	-	11,692,825
Property management and administrative	-	-	-	-	109,690	109,690
Rent and utilities	73,671	39,500	15,496	88,268	173,658	390,593
Supplies	273,214	14,079	2,879	23,180	-	313,352
Professional services and consultants	547,338	168,552	9,377	27,463	30,359	783,089
Contributed services - professional fees	-	-	-	301,177	-	301,177
Telephone and internet	31,709	9,102	1,053	7,288	2,612	51,764
Equipment rental and maintenance	158,826	13,012	3,750	1,014	-	176,602
Printing and postage	34,176	4,557	1,101	2,567	-	42,401
Building repair and maintenance	20,405	6,511	2,041	19,665	146,667	195,289
Insurance, taxes and licenses	147,240	13,331	6,527	20,344	156,838	344,280
Travel	33,224	76	2,279	-	-	35,579
Conferences and training	52,276	1,686	1,193	20,062	-	75,217
Interest	-	-	-	-	64,727	64,727
Advertising	-	-	-	-	-	-
Catering and entertainment	-	-	-	-	-	-
Youth events and activities	391,976	840	1,320	900	-	395,036
Stipends	25,824	-	-	-	-	25,824
Dues and subscriptions	17,769	3,894	-	1,789	-	23,452
Fees (permits, fees and other)	8,273	704	-	4,178	-	13,155
Food and refreshments	75,354	1,366	7,689	589,963	-	674,372
Depreciation and amortization	30,447	2,473	1,228	-	171,481	205,629
Bad debt	-	-	-	-	12,615	12,615
Miscellaneous	29,033	4,513	1,082	13,402	9,640	57,670
Total expenses	10,965,791	1,016,498	420,675	2,703,087	878,287	15,984,338
Less direct cost of special events deducted from revenues and other support on the statement of activities	-	-	-	-	-	-
Total expenses reported by function on the statement of activities	\$ 10,965,791	\$ 1,016,498	\$ 420,675	\$ 2,703,087	\$ 878,287	\$ 15,984,338

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses (Continued) Year Ended June 30, 2018

<u>Supporting Services</u>			
<u>Management and General</u>	<u>Fund Raising</u>	<u>Special Events</u>	<u>Total</u>
\$ 1,173,397	\$ 161,982	\$ -	\$ 10,854,718
<u>277,937</u>	<u>36,003</u>	<u>-</u>	<u>2,487,426</u>
1,451,334	197,985	-	13,342,144
-	-	-	109,690
84,622	-	-	475,215
17,183	2,416	-	332,951
33,158	1,224	-	817,471
219,000	-	-	520,177
6,390	-	-	58,154
18,306	-	-	194,908
5,777	-	-	48,178
9,379	-	-	204,668
16,040	-	-	360,320
8,049	-	-	43,628
7,636	-	-	82,853
6,339	-	-	71,066
35,903	-	-	35,903
-	-	37,989	37,989
-	-	-	395,036
-	-	-	25,824
8,177	-	-	31,629
31,223	-	-	44,378
5,806	-	-	680,178
47,014	669	-	253,312
102,858	-	-	115,473
<u>38,629</u>	<u>-</u>	<u>-</u>	<u>96,299</u>
2,152,823	202,294	37,989	18,377,444
-	-	(37,989)	(37,989)
<u>\$ 2,152,823</u>	<u>\$ 202,294</u>	<u>\$ -</u>	<u>\$ 18,339,455</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidated Statement of Cash Flows Year Ended June 30, 2018

Operating Activities	
Change in net assets	\$ 226,570
Items not requiring (providing) operating cash flows	
Depreciation and amortization	253,312
Changes in	
Grants receivable	(718,381)
Contributions receivable	(36,366)
Accounts receivable	(116,791)
Prepaid expenses and deposits	(8,142)
Accounts payable and accrued expenses	107,693
Grant advances	(34,841)
Deferred rental income	6,502
Accrued mortgage interest payable	40,869
	(279,575)
Net cash used in operating activities	
Investing Activities	
Purchase of property and equipment	(152,961)
Loans to related parties	(400,670)
Increase in assets limited as to use	(8,629)
	(562,260)
Net cash used in investing activities	
Financing Activities	
Proceeds from loans	905,452
Principal payments on loans	(1,089,651)
	(184,199)
Net cash used in financing activities	
Decrease in Cash	(1,026,034)
Cash, Beginning of Year	2,157,463
Cash, End of Year	\$ 1,131,429
Supplemental Cash Flows Information	
Cash paid during the year for interest	\$ 71,066

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

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

Nature of Operations

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

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

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

Child Care is a not-for-profit community organization incorporated in March 1992 in northwest Brooklyn, New York. Child Care was founded to address the lack of legal quality child care in our community and the tremendous obstacle this presents to woman 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, 2018

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

Principles of Consolidation

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

Use of Estimates

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

Cash

At June 30, 2018, the Organization's cash accounts exceeded federally insured limits by approximately \$515,000.

Tenants' Security Deposits

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

Grants Receivable

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

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.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

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.

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:

Land, 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 year ended June 30, 2018.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

Grant Advances

Payments from government agencies in excess of expenses qualifying under the terms of the contracts 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.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those whose use by the Organization has been limited by donors to a specific time period or purpose.

Government Grants

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

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

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 2018, the total value of in-kind services was \$219,000, which has been reflected as revenues and expenses in the accompanying consolidated statement 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 2018, the total value of in-kind services was \$301,177, which has been reflected as revenues and expenses in the accompanying consolidated statement 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 of the Internal Revenue Code and a similar provision of state law. However, the Organization is subject to federal income tax on any unrelated business taxable income. The Organization files tax returns in the U.S. federal jurisdiction.

Rent Expense

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

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

Functional Allocation of Expenses

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

Subsequent Events

Subsequent events have been evaluated through May 24, 2019, which is the date the consolidated financial statements were available to be issued.

Note 2: 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, 2018 is as follows:

Operating reserve fund	\$ 95,204
Replacement reserve fund	33,526
Project capital reserve fund	<u>149,892</u>
	<u>\$ 278,622</u>

Note 3: 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 Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2018

Cypress Place Senior Housing Corporation
Cypress Hills Senior Housing LP
Cypress Hills Community School Development Corporation
Glenmore Gardens HDFC
Chestnut Commons HDFC

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

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

As discussed in *Note 8*, the Organization leases office space from related parties.

As discussed in *Note 12*, the Organization has guaranteed loans for related parties.

As discussed in *Note 6*, the Organization has a loan receivable of \$8,541,800 from a related party.

Note 4: Contributions Receivable

Contributions receivable consisted of the following:

	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ 403,591	\$ 406,000	\$ 809,591

Note 5: Property and Equipment

Property and equipment at June 30, 2018 consists of:

Land and building	\$ 7,412,524
Building improvements	106,674
Leasehold improvements	1,679,013
Equipment	732,979
	9,931,190
Accumulated depreciation and amortization	(4,283,450)
	\$ 5,647,740

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2018

Note 6: Loans 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, 2018 was \$80,000.
- (B) CHLDC has a \$750,000 line of credit from Capital One Bank, with an interest rate of 1% and an expiration date of August 14, 2020. The balance due at June 30, 2018 was \$400,000. The line of credit is secured by any deposits held at that bank which was approximately \$790,000 at June 30, 2018.
- (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, 2018.

CHLDC interest expense for the year ended June 30, 2018 was \$6,339.

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 is for \$1,128,830 and bears interest at a rate of 6% per annum. The loan matured on May 1, 2018 and was subsequently extended until February 1, 2020.

- (B) The second loan, from The New York Pooled PRI Fund, LLC and The Contact Fund LLC, is for \$480,000 and bears interest at a rate of 6%. The loan matured on April 6, 2018. The lender has provided an extension until July 23, 2019 at the same interest rate. The loan is payable on the earlier of (i) the date on which the borrower closes on construction financing or funding and (ii) July 23, 2019.

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

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

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% 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, 2018, the accrued interest was \$715,206. The fixed assets of Arlington serve as collateral for the loan.

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

Cypress West

- (A) Cypress West was provided three loans from Community Preservation Corporation (CPC), a New York not-for-profit corporation, for the renovation of the 52-54 Sunnyside Avenue building in the amounts of \$200,000, First Mortgage, \$510,050, Second Mortgage, and \$43,049 Additional Amount. The total amount drawn on the loans was \$753,099. Upon completion of the renovation and satisfaction of the "Permanent Loan Conditions" specified in a commitment letter dated May 23, 2002, the loans were to be extended and modified to give effect to a permanent loan. On November 14, 2006, CPC assigned the above mentioned mortgages to New York City Department of Housing Preservation and Development (HPD).

In December 2006, Cypress West entered into a Consolidation, Extension and Modification Agreement with 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% per annum and requires a onetime interest only payment on January 1, 2007 and payments of principal and interest of \$850 per month beginning February 1, 2007 until January 1, 2037, when the balance of the indebtedness then remaining unpaid (approximately \$544,881) with any interest then accrued thereon together with any additional payments which may be due the mortgage pursuant to the provisions of the agreement, shall be due and payable. The Cypress West real property located at 52-54 Sunnyside Avenue serve as collateral for the loan.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

- (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 the City of New York Department of Housing Preservation and Development (HPD). The mortgage requires monthly interest only payments at the rate of 1% per annum and a 1/4% 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, 2018 is \$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 the City of New York Department of Housing Preservation and Development (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, 2018 is \$121,005.
- (D) In addition to the mortgages related to the Hills Properties, Cypress West has another mortgage in the amount of \$212,226 with the City of New York Department of Housing Preservation and Development (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, 2018 was \$205,425.

Cypress West interest expense was \$3,406 for the year ended June 30, 2018.

Cypress Homes

- (A) In June 1998, Cypress Homes entered into a building loan agreement with the Local Initiatives Support Corporation (LISC) in the amount of \$1,840,000. The purpose of the loan was to acquire and renovate nine buildings from the City of New York Housing Preservation and Development (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% 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. The building was placed in service in 2004. The building, 2836 Fulton Street, Brooklyn, NY, serves as collateral for the loan.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

(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 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%. The loan matures in August 2023. The real property serves as collateral for mortgage. The loan balance at June 30, 2018 was \$310,759.
- (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% 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.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

- (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 \$20,452 for the year ended June 30, 2018.

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
2019	\$ 440,000	\$1,608,830	\$ -	\$ 6,815	\$ 13,010	\$ 2,068,655
2020	40,000	-	-	6,879	14,066	60,945
2021	-	-	-	6,914	14,987	21,901
2022	-	-	-	1,718,562	15,969	1,734,531
2023	-	-	-	6,983	17,012	23,995
Thereafter	<u>8,541,800</u>	<u>-</u>	<u>340,573</u>	<u>969,408</u>	<u>1,338,803</u>	<u>11,190,584</u>
	<u>\$9,021,800</u>	<u>\$1,608,830</u>	<u>\$ 340,573</u>	<u>\$2,715,561</u>	<u>\$1,413,847</u>	<u>\$15,100,611</u>

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2018 are available for the following purposes:

Youth and human services	\$ 1,288,506
Housing development and counseling	64,349
Community organizing	61,871
HTFC enforcement mortgage (Arlington)	1,226,069
Promises to give that are not restricted by donors but which are unavailable for expenditure until due	<u>250,000</u>
	<u>\$ 2,890,795</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

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.

Youth and human services	\$ 2,587,035
Housing development and counseling	79,249
Economic development	1,142
Community organizing	<u>255,378</u>
	<u>\$ 2,922,804</u>

Note 8: Operating Leases

CHLDC entered into a noncancelable operating lease for office space at 625 Jamaica Avenue that expires on October 31, 2019. 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, 2023. 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.

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, 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 Homes HDFC for office space located at 2836 Fulton Street that expires on December 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 Homes HDFC for office space at 2966 Fulton Street that expires on August 31, 2022. 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, 2024. 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.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

- Child Care’s day care center is leased under a ten-year lease located at 108 Pine Street that expired in 2017. Child Care is currently negotiating a new lease, and until that is finalized Child Care has been paying on a month-to-month basis.

The Organization’s rent expense for the year ended June 30, 2018 was \$296,110.

Future minimum payments are due as follows:

2019	\$	245,099
2020		261,907
2021		260,868
2022		222,154
2023		196,503
Thereafter		152,198
Total		\$ 1,338,729

The Organization leases office equipment under noncancelable operating lease agreements which expire at various dates through October 2023. Equipment rental expense for the year ended June 30, 2018 was \$85,065.

The minimum annual lease payments are as follows:

2019	\$	54,239
2020		36,561
2021		34,521
2022		23,952
2023		12,313
Thereafter		1,172
Total		\$ 162,758

Note 9: Rental Income

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

2019	\$	119,344
2020		56,672
2021		45,593
2022		5,723
Total		\$ 227,332

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

Note 10: 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 year ended June 30, 2018 are as follows:

	<u>Receivables</u>	<u>Revenues</u>
New York City	\$ 2,464,007	\$ 9,197,060
New York State	1,359,733	2,493,812

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 11: Pension Plan

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

Note 12: 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, 2018, the balance was \$310,759.
- (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, 2018, the balance was \$1,128,830.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

- (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, 2018, the balance was \$480,000.
- (D) Cypress Pitkin-Berriman LP for the benefit of Citi Bank – The maximum value of the loan is \$16,100,000. At June 30, 2018, the balance was \$15,128,727.

Note 13: Restatement of Prior Years' Financial Statements

For the year ended June 30, 2017, the Organization did not consolidate the activity of its wholly owned subsidiaries. An adjustment of \$105,132 has been made to the July 1, 2017 opening balance of net assets, which consists of \$(1,331,201) of unrestricted net assets and \$1,226,069 of temporarily restricted net assets.

Note 14: Future Changes in Accounting Principle

Presentation of Financial Statements for Not-for-Profit Entities

The Financial Accounting Standards Board (FASB) recently issued Accounting Standards Update (ASU) No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities*, which changes requirements for financial statements and notes of all not-for-profit (NFP) entities and is effective for annual periods beginning after December 15, 2017, and interim periods within annual reporting periods beginning after December 15, 2018.

A summary of the changes by consolidated financial statement area most relevant to the Organization is as follows:

Consolidated Statement of Financial Position

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

Notes to the Consolidated Financial Statements

- Enhanced quantitative and qualitative disclosures provide additional information useful in assessing liquidity and cash flows available to meet operating expenses for one year from the date of the statement of financial position.
- Amounts and purposes of governing board designations and appropriations as of the end of the period are disclosed.

The Organization is evaluating the impact the standard will have on the consolidated financial statements.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

Revenue Recognition

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, 2018, and any interim periods within annual reporting periods that begin after December 15, 2019. The Organization is in the process of evaluating the effect the amendment will have on the consolidated financial statements.

Not-for-Profit Accounting Standard for Grants and Contributions

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

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

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

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

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2018

Accounting for Leases

FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement 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, and any interim periods within annual reporting periods that begin after December 15, 2020. The Organization is evaluating the impact the standard will have on the consolidated financial statements.

Supplementary Information

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidating Statement of Financial Position June 30, 2018

	Cypress Hills Local Development Corporation	Cypress Hills Child Care Corporation	Arlington Apartments Housing Development Fund Corporation
Assets			
Cash	\$ 771,193	\$ 237,134	\$ 4,748
Cash - tenants' security deposits	-	3,200	8,005
Grants receivable	3,930,033	-	-
Contributions receivable	809,591	-	-
Accounts receivable	65,826	200,099	12,943
Prepaid expenses and deposits	87,620	7,841	19,762
Mortgage escrow	-	-	-
Loan receivable (Senior Housing LP)	8,541,800	-	-
Due from related parties	929,357	-	-
Assets limited as to use - cash	-	-	25,394
Property and equipment, net	116,739	1,980,799	982,625
Other assets	-	-	600
	-	-	600
Total assets	\$ 15,252,159	\$ 2,429,073	\$ 1,054,077
Liabilities and Net Assets			
Liabilities			
Accounts payable and accrued expenses	\$ 1,793,519	\$ 290,828	\$ 23,148
Grant advances	382,419	-	-
Due to related parties	-	51,909	15,813
Deferred rental income	11,334	-	-
Tenants' security deposits payable	-	3,200	8,005
Loans payable	9,021,800	1,608,830	340,573
Accrued interest payable	-	-	715,206
	-	-	715,206
Total liabilities	11,209,072	1,954,767	1,102,745
Net Assets (Deficit)			
Unrestricted	2,378,361	474,306	(1,274,737)
Temporarily restricted	1,664,726	-	1,226,069
	1,664,726	-	1,226,069
Total net assets (deficit)	4,043,087	474,306	(48,668)
Total liabilities and net assets (deficit)	\$ 15,252,159	\$ 2,429,073	\$ 1,054,077

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidating Statement of Financial Position (Continued)

June 30, 2018

Cypress West Housing Development Fund Corporation	Cypress Homes Housing Development Fund Corporation	Eliminations	Total
\$ 142,359	\$ (24,005)	\$ -	\$ 1,131,429
15,482	1,137	-	27,824
-	-	-	3,930,033
-	-	-	809,591
25,880	20,589	-	325,337
-	6,149	-	121,372
-	4,637	-	4,637
-	-	-	8,541,800
21,318	-	(437,918)	512,757
253,228	-	-	278,622
1,684,587	882,990	-	5,647,740
1,024	219	-	1,843
<u>\$ 2,143,878</u>	<u>\$ 891,716</u>	<u>\$ (437,918)</u>	<u>\$ 21,332,985</u>
\$ 21,476	\$ 5,184	\$ -	\$ 2,134,155
-	-	-	382,419
100	370,096	(437,918)	-
-	-	-	11,334
15,482	1,137	-	27,824
2,715,561	623,852	-	14,310,616
-	-	-	715,206
<u>2,752,619</u>	<u>1,000,269</u>	<u>(437,918)</u>	<u>17,581,554</u>
(608,741)	(108,553)	-	860,636
-	-	-	2,890,795
<u>(608,741)</u>	<u>(108,553)</u>	<u>-</u>	<u>3,751,431</u>
<u>\$ 2,143,878</u>	<u>\$ 891,716</u>	<u>\$ (437,918)</u>	<u>\$ 21,332,985</u>

**Cypress Hills Local Development Corporation, Inc.
and Subsidiaries**
Consolidating Schedule of Revenues and Other Support and Expenses
Year Ended June 30, 2018

	Cypress Hills Local Development Corporation	Cypress Hills Child Care Corporation	Arlington Apartments Housing Development Fund Corporation
Revenues and Other Support			
Government grants	\$ 11,208,157	\$ 2,517,908	\$ -
Contributions	3,000,429	87,627	-
Special events	159,184	-	-
Direct cost of special events	(37,989)	-	-
Contributed services	219,000	301,177	-
Management and development fees	143,324	-	-
Rental income	72,026	-	213,931
Interest income	-	21	37
Miscellaneous income	101,725	111,788	53,787
	<u>14,865,856</u>	<u>3,018,521</u>	<u>267,755</u>
Total revenues and other support			
Expenses			
Salaries	9,387,311	1,467,407	-
Payroll taxes and employee benefits	2,086,430	400,996	-
Property management and administrative	-	-	33,204
Rent and utilities	268,571	88,268	53,382
Supplies	307,960	24,991	-
Professional services and consultants	753,640	33,472	10,434
Contributed services - professional fees	219,000	301,177	-
Telephone and internet	48,254	7,288	289
Equipment rental and maintenance	193,894	1,014	-
Printing and postage	45,611	2,567	-
Building repair and maintenance	34,816	23,185	49,661
Insurance, taxes and licenses	183,138	20,344	94,263
Travel	43,628	-	-
Conferences and training	62,291	20,562	-
Interest	6,339	-	40,869
Advertising	35,903	-	-
Youth events and activities	394,136	900	-
Stipends	25,824	-	-
Dues and subscriptions	27,820	3,809	-
Fees (permits, fees and other)	39,395	4,983	-
Food and refreshments	87,612	592,566	-
Depreciation and amortization	38,751	43,080	50,617
Bad debt	102,858	-	-
Miscellaneous	59,580	27,079	6,109
	<u>14,452,762</u>	<u>3,063,688</u>	<u>338,828</u>
Total expenses			
Change in Net Assets (Deficit)	<u>413,094</u>	<u>(45,167)</u>	<u>(71,073)</u>
Net Assets, Beginning of Year, as Previously Stated	3,629,993	-	-
Restatement	<u>-</u>	<u>519,473</u>	<u>22,405</u>
Net Assets (Deficit), Beginning of Year, as Restated	<u>3,629,993</u>	<u>519,473</u>	<u>22,405</u>
Net Assets (Deficit), End of Year	<u>\$ 4,043,087</u>	<u>\$ 474,306</u>	<u>\$ (48,668)</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Consolidating Schedule of Revenues and Other Support and Expenses (Continued)

Year Ended June 30, 2018

Cypress West Housing Development Fund Corporation	Cypress Homes Housing Development Fund Corporation	Eliminations	Total
\$ -	\$ -	\$ -	\$ 13,726,065
-	-	-	3,088,056
-	-	-	159,184
-	-	-	(37,989)
-	-	-	520,177
-	-	-	143,324
367,285	95,719	(55,282)	693,679
3,815	-	-	3,873
1,540	816	-	269,656
<u>372,640</u>	<u>96,535</u>	<u>(55,282)</u>	<u>18,566,025</u>
-	-	-	10,854,718
-	-	-	2,487,426
59,130	17,356	-	109,690
98,571	21,705	(55,282)	475,215
-	-	-	332,951
14,908	5,017	-	817,471
-	-	-	520,177
-	2,323	-	58,154
-	-	-	194,908
-	-	-	48,178
89,312	7,694	-	204,668
31,976	30,599	-	360,320
-	-	-	43,628
-	-	-	82,853
3,406	20,452	-	71,066
-	-	-	35,903
-	-	-	395,036
-	-	-	25,824
-	-	-	31,629
-	-	-	44,378
-	-	-	680,178
93,878	26,986	-	253,312
7,254	5,361	-	115,473
3,531	-	-	96,299
<u>401,966</u>	<u>137,493</u>	<u>(55,282)</u>	<u>18,339,455</u>
<u>(29,326)</u>	<u>(40,958)</u>	<u>-</u>	<u>226,570</u>
-	-	-	3,629,993
<u>(579,415)</u>	<u>(67,595)</u>	<u>-</u>	<u>(105,132)</u>
<u>(579,415)</u>	<u>(67,595)</u>	<u>-</u>	<u>3,524,861</u>
<u>\$ (608,741)</u>	<u>\$ (108,553)</u>	<u>\$ -</u>	<u>\$ 3,751,431</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

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

June 30, 2018

Assets

Cash	\$ 771,193
Grants receivable	3,930,033
Contributions receivable	809,591
Accounts receivable	65,826
Prepaid expenses and deposits	87,620
Loan receivable (Senior Housing LP)	8,541,800
Due from related parties	929,357
Property and equipment, net	<u>116,739</u>
Total assets	<u>\$ 15,252,159</u>

Liabilities and Net Assets

Liabilities

Accounts payable and accrued expenses	\$ 1,793,519
Grant advances	382,419
Deferred rental income	11,334
Loans payable	<u>9,021,800</u>
Total liabilities	<u>11,209,072</u>

Net Assets

Unrestricted	2,378,361
Temporarily restricted	<u>1,664,726</u>
Total net assets	<u>4,043,087</u>
Total liabilities and net assets	<u>\$ 15,252,159</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, 2018

	Program Services			Total
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	
Salaries	\$ 7,375,707	\$ 599,137	\$ 297,531	\$ 8,272,375
Payroll taxes and employee benefits	1,639,329	133,165	66,129	1,838,623
Total salaries and related expenses	9,015,036	732,302	363,660	10,110,998
Rent and utilities	128,953	39,500	15,496	183,949
Supplies	273,214	14,079	2,879	290,172
Professional services and consultants	547,338	168,552	9,377	725,267
Contributed services - professional fees				-
Telephone and internet	31,709	9,102	1,053	41,864
Equipment rental and maintenance	158,826	13,012	3,750	175,588
Printing and postage	34,176	4,557	1,101	39,834
Building repair and maintenance	20,405	6,511	2,041	28,957
Insurance, taxes and licenses	147,240	13,331	6,527	167,098
Travel	33,224	76	2,279	35,579
Conferences and training	52,276	1,686	1,193	55,155
Interest	-	-	-	-
Advertising	-	-	-	-
Catering and entertainment	-	-	-	-
Youth events and activities	391,976	840	1,320	394,136
Stipends	25,824	-	-	25,824
Dues and subscriptions	17,769	3,894	-	21,663
Fees (permits, fees and other)	8,273	704	-	8,977
Food and refreshments	75,354	1,366	7,689	84,409
Depreciation and amortization	30,447	2,473	1,228	34,148
Bad debt	-	-	-	-
Miscellaneous	29,033	4,513	1,082	34,628
Total expenses before direct cost of special events	11,021,073	1,016,498	420,675	12,458,246
Less direct cost of special events	-	-	-	-
Total expenses	<u>\$ 11,021,073</u>	<u>\$ 1,016,498</u>	<u>\$ 420,675</u>	<u>\$ 12,458,246</u>

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

Cypress Hills Local Development Corporation, Inc. (Parent Only) Schedule of Functional Expenses (Continued)

Year Ended June 30, 2018

<u>Supporting Services</u>			
Management and General	Fund Raising	Special Events	Total
\$ 952,954	\$ 161,982	\$ -	\$ 9,387,311
211,804	36,003	-	2,086,430
1,164,758	197,985	-	11,473,741
84,622	-	-	268,571
15,372	2,416	-	307,960
27,149	1,224	-	753,640
219,000	-	-	219,000
6,390	-	-	48,254
18,306	-	-	193,894
5,777	-	-	45,611
5,859	-	-	34,816
16,040	-	-	183,138
8,049	-	-	43,628
7,136	-	-	62,291
6,339	-	-	6,339
35,903	-	-	35,903
-	-	37,989	37,989
-	-	-	394,136
-	-	-	25,824
6,157	-	-	27,820
30,418	-	-	39,395
3,203	-	-	87,612
3,934	669	-	38,751
102,858	-	-	102,858
24,952	-	-	59,580
1,792,222	202,294	37,989	14,490,751
-	-	(37,989)	(37,989)
<u>\$ 1,792,222</u>	<u>\$ 202,294</u>	<u>\$ -</u>	<u>\$ 14,452,762</u>