

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**FINANCIAL STATEMENTS  
AND AUDITOR'S REPORT**

**JUNE 30, 2014 AND 2013**

**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

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**Independent Auditor's Report**

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

***Report on the Financial Statements***

We have audited the accompanying financial statements of Cypress Hills Local Development Corporation, which comprise the balance sheet as of June 30, 2014 and 2013, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these 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 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 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the 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 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 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, 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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



February 26, 2015

**EXHIBIT A****CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION****BALANCE SHEET****JUNE 30, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 124,657	\$ 434,068
Grants receivable	2,015,742	1,308,721
Accounts receivable	97,165	82,602
Contributions receivable - current	874,092	157,322
Prepaid expenses and deposits	51,794	50,490
Due from related parties (net of allowance for doubtful accounts of \$75,000 in 2014 and 2013) (Note 4)	1,212,709	1,388,844
Fixed assets - net (Note 5)	<u>202,351</u>	<u>139,398</u>
Total assets	<u>\$ 4,578,510</u>	<u>\$ 3,561,445</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 817,882	\$ 458,649
Due to related parties (Note 4)	38,300	
Grant advances	76,767	102,200
Deferred rental income	1,174	11,556
Loans payable (Note 6)	<u>850,000</u>	<u>550,000</u>
Total liabilities	<u>1,784,123</u>	<u>1,122,405</u>
<b>Net assets (Exhibit B)</b>		
Unrestricted	1,591,054	1,587,349
Temporarily restricted (Note 3)	<u>1,203,333</u>	<u>851,691</u>
Total net assets	<u>2,794,387</u>	<u>2,439,040</u>
Total liabilities and net assets	<u>\$ 4,578,510</u>	<u>\$ 3,561,445</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

CYPRESS HILLS LOCAL DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES

YEARS ENDED JUNE 30, 2014 AND 2013

	2014		2013	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Revenues and other support				
Government grants	\$ 6,268,103	\$ 6,268,103	\$ 4,715,034	\$ 4,715,034
Contributions	227,367	3,260,234	194,958	2,681,164
Special events				
Less direct expense of special events	\$ 48,206			
Net revenue from special events	(15,860)		134,465	134,465
Contributed services (Note 11)	32,346	32,346		
Management and development fees (Note 4)	115,000	115,000		
Sublease rental revenue (Note 8)	10,000	10,000	25,838	25,838
Miscellaneous income	109,740	109,740	109,948	109,948
Net assets released from restrictions (Note 3)	7,679	7,679	20,360	20,360
	2,908,592	(2,908,592)	2,556,645	(2,556,645)
Total revenues and other support	9,678,827	351,642	7,757,248	124,519
Expenses (Exhibit C)				
Program services				
Youth and human services	6,414,905	6,414,905	5,065,211	5,065,211
Housing development and counseling	1,208,107	1,208,107	1,240,446	1,240,446
Economic development and community organizing	668,269	668,269	435,206	435,206
Total program services	8,291,281	8,291,281	6,740,863	6,740,863
Supporting services				
Management and general	1,184,965	1,184,965	837,353	837,353
Fund raising	198,876	198,876	197,308	197,308
Total supporting services	1,383,841	1,383,841	1,034,661	1,034,661
Total expenses	9,675,122	9,675,122	7,775,524	7,775,524
Change in net assets (Exhibit D)	3,705	351,642	(18,276)	124,519
Net assets - beginning of year	1,587,349	851,691	1,605,625	727,172
Net assets - end of year (Exhibit A)	\$ 1,591,054	\$ 1,203,333	\$ 1,587,349	\$ 851,691
				\$ 2,439,040

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, 2014 AND 2013

	2014							2013
	Program Services				Supporting Services			Total
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	Total	Management and General	Fund Raising	Special Events	
Salaries	\$ 4,179,572	\$ 643,777	\$ 453,989	\$ 5,277,338	\$ 703,519	\$ 156,663	\$ 6,137,520	\$ 4,822,070
Payroll taxes and employee benefits	1,014,231	156,221	110,167	1,280,619	170,497	38,017	1,489,133	1,306,658
Total salaries and related expenses	5,193,803	799,998	564,156	6,557,957	874,016	194,680	7,626,653	6,128,728
Affordable housing development		25,250		25,250			25,250	3,535
Rent and utilities (Note 7)	91,316	95,631	13,363	200,310	3,074		203,384	147,885
Supplies	184,663	24,136	9,753	218,552	5,209	412	224,173	169,653
Professional services and consultants	240,072	151,620	27,175	418,867	86,982	3,784	509,633	585,093
Contributed services - professional fees (Note 11)					115,000		115,000	
Telephone and internet	45,188	8,016	5,204	58,408	5,570		63,978	47,323
Postage	7,644	2,470	436	10,550	191		10,741	10,249
Equipment rental/maintenance	90,603	34,777	14,830	140,210	10,471		150,681	110,664
Printing	15,352	2,102	2,862	20,316	1,237		21,553	7,799
Cleaning and maintenance	2,993	9,220	3,888	16,101	1,088		17,189	17,318
Insurance	69,374	9,990	4,876	84,240	2,835		87,075	59,847
Travel	82,383	3,755	1,526	87,664	3,788		91,452	59,833
Conferences and training	36,395	6,231	4,498	47,124	1,413		48,537	53,158
Interest					22,219		22,219	19,375
Bank charges					3,058		3,058	1,593
Advertising	4,385	75		4,460	12,642		17,102	12,042
Catering and entertainment							\$ 15,860	21,875
Youth events/activities	158,497		413	158,910			158,910	157,337
Stipends	54,482	1,380	1,220	57,082			57,082	13,865
Dues and subscriptions	4,577	2,135		6,712	12,352		19,064	17,313
Fees (permits, bank fees and other)	6,632	6,154		12,786	12,193		24,979	18,344
Participant and other refreshments	48,346	9,941	6,592	64,879	2,184		67,063	54,052
Depreciation and amortization	19,638	4,296	2,148	26,082	4,602		30,684	24,739
Bad debt					3,251		3,251	1,988
Miscellaneous	58,562	10,930	5,329	74,821	1,590		76,411	53,791
Total expenses	6,414,905	1,208,107	668,269	8,291,281	1,184,965	198,876	9,690,982	7,797,399
Less direct cost of special events deducted from revenue on the statement of activities							(15,860)	(21,875)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 6,414,905	\$ 1,208,107	\$ 668,269	\$ 8,291,281	\$ 1,184,965	\$ 198,876	\$ -	\$ 7,775,524

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CYPRESS HILLS LOCAL DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2014 AND 2013

	2013							
	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	\$ 3,264,924	\$ 643,816	\$ 264,654	\$ 4,173,394	\$ 515,827	\$ 132,849		\$ 4,822,070
Payroll taxes and employee benefits	801,910	201,263	80,416	1,083,589	180,603	42,466		1,306,658
Total salaries and related expenses	4,066,834	845,079	345,070	5,256,983	696,430	175,315		6,128,728
Affordable housing development		3,535		3,535				3,535
Rent and utilities (Note 7)	69,724	72,956	4,587	147,267	618			147,885
Supplies	132,220	28,760	5,867	166,847	2,346	460		169,653
Professional services and consultants	254,239	214,474	42,227	510,940	52,838	21,315		585,093
Telephone and internet	33,433	7,625	5,587	46,645	678			47,323
Postage	5,122	2,184	596	7,902	2,323	24		10,249
Equipment rental/maintenance	80,384	12,929	12,287	105,600	5,064			110,664
Printing	4,058	2,872	279	7,209	396	194		7,799
Cleaning and maintenance	8,711	1,744	2,057	12,512	4,806			17,318
Insurance	36,822	12,112	5,147	54,081	5,766			59,847
Travel	52,496	3,315	2,018	57,829	2,004			59,833
Conferences and training	45,445	6,681	520	52,646	512			53,158
Interest					19,375			19,375
Bank charges					1,593			1,593
Advertising	1,560	2,122	95	3,777	8,265			12,042
Catering and entertainment							\$ 21,875	21,875
Youth events/activities	155,937		616	156,553	784			157,337
Stipends	12,920			12,920	945			13,865
Dues and subscriptions	3,064	5,482		8,546	8,767			17,313
Fees (permits, bank fees and other)	5,453	3,254	32	8,739	9,605			18,344
Participant and other refreshments	42,400	7,621	2,791	52,812	1,240			54,052
Depreciation and amortization	15,206	3,466	1,733	20,405	4,334			24,739
Bad debt					1,988			1,988
Miscellaneous	39,183	4,235	3,697	47,115	6,676			53,791
Total expenses	5,065,211	1,240,446	435,206	6,740,863	837,353	197,308	21,875	7,797,399
Less direct cost of special events deducted from revenue on the statement of activities							(21,875)	(21,875)
Total expenses reported by function on the statement of activities (Exhibit B)	\$ 5,065,211	\$ 1,240,446	\$ 435,206	\$ 6,740,863	\$ 837,353	\$ 197,308	\$ -	\$ 7,775,524

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, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities		
Change in net assets (Exhibit B)	\$ 355,347	\$ 106,243
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation and amortization	30,684	24,739
Decrease (increase) in assets		
Grants receivable	(707,021)	(312,243)
Accounts receivable	(14,563)	(199)
Contributions receivable	(716,770)	13,453
Prepaid expenses and deposits	(1,304)	(19,882)
Due from related parties	176,135	(264,038)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	359,233	(194,402)
Due to related parties	38,300	
Grant advances	(25,433)	99,516
Deferred rental income	(10,382)	200
Net cash used by operating activities	<u>(515,774)</u>	<u>(546,613)</u>
Cash flows from investing activities		
Fixed asset acquisitions	<u>(93,637)</u>	
Cash flows from financing activities		
Proceeds from loans	25,000	525,000
Principal payments on loans	(25,000)	(25,000)
Proceeds from line of credit	550,000	
Principal payments on line of credit	<u>(250,000)</u>	
Net cash provided by financing activities	<u>300,000</u>	<u>500,000</u>
Net change in cash and cash equivalents	(309,411)	(46,613)
Cash and cash equivalents - beginning of year	<u>434,068</u>	<u>480,681</u>
Cash and cash equivalents - end of year	<u>\$ 124,657</u>	<u>\$ 434,068</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 9,441</u>	<u>\$ 13,056</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, 2014 AND 2013**

**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 approximately 9,000 residents annually. Cypress Hills' programs and services include: tenant organizing, housing and homeownership counseling, mortgage foreclosure prevention, workforce development, college access and persistence 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, affordable housing development and the development of community facilities, a neighborhood-wide sustainability initiative and community organizing activities. 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, 2014 AND 2013**

**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.

***Allowance for doubtful accounts*** - Management determines whether an allowance for doubtful accounts is necessary for grants, accounts, 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 uncollectible accounts for grants, accounts or contributions receivable is necessary as of June 30, 2014 and 2013.

***Fixed assets*** - Fixed assets are recorded at cost. Items with a cost in excess of \$1,500 with an estimated useful life of greater 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, 2014 AND 2013**

**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.

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

***Contributed services*** - Contributed services are reported at fair value at the date the contribution is received.

***Rent 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.

***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.

***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, 2011 and subsequent remain subject to examination by applicable taxing authorities.

***Subsequent events*** - Subsequent events have been evaluated through February 26, 2015, which is the date the financial statements were available to be issued.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets at June 30, 2014 and 2013 are available for the following purposes:

	<u>2014</u>	<u>2013</u>
Community development	\$ 175,533	\$ 190,496
Housing development and counseling	86,573	58,467
Youth and human services	891,227	592,728
Administrative support	<u>50,000</u>	<u>10,000</u>
	<u>\$ 1,203,333</u>	<u>\$ 851,691</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>2014</u>	<u>2013</u>
Community development	\$ 466,766	\$ 466,349
Housing development and counseling	177,639	147,915
Youth and human services	2,204,187	1,932,341
Building maintenance	10,000	
Administrative support	<u>50,000</u>	<u>10,040</u>
	<u>\$ 2,908,592</u>	<u>\$ 2,556,645</u>

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**NOTE 4 - RELATED PARTIES**

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

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

During 2014 and 2013, Cypress Hills recorded management and development fees of \$10,000 and \$25,838, respectively, from these related parties.

As discussed in Note 7, Cypress Hills leases office space from various related parties.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**NOTE 5 - FIXED ASSETS**

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful Lives</u>
Leasehold improvements	\$ 367,929	\$ 303,054	25 years
Equipment	<u>497,094</u>	<u>468,332</u>	5 years
	865,023	771,386	
Accumulated depreciation and amortization	<u>(662,672)</u>	<u>(631,988)</u>	
	<u>\$ 202,351</u>	<u>\$ 139,398</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 2016 and are eligible for renewal at maturity. The funds are to be used for development of affordable housing. The balance as of June 30, 2014 and 2013 was \$50,000.

In October 2010, Cypress Hills obtained a \$330,000 line of credit, expiring November 1, 2014, from Capital One Bank, with an interest rate of 3%. As of June 30, 2014 and 2013, the balance due was \$300,000 and \$0, respectively. The loan is secured by any deposits held at that bank. Interest expense for the years ended June 30, 2014 and 2013 was \$3,122 and \$0, respectively. Subsequent to year end, on August 1, 2014, Cypress Hills increased the line of credit to \$750,000. The interest rate under the new line of credit is 3% and it expires on August 1, 2017.

In June 2012, Cypress Hills entered into a \$500,000 uncollateralized loan agreement with The Contact Fund to develop affordable housing and retail shops. As of June 30, 2014 and 2013 the loan balance was \$500,000. The annual interest rate of the loan is equal to the Prime Rate plus 1.75% on the outstanding balance and the principal is due on June 28, 2015. The interest rate at June 30, 2014 and 2013 was 5%. Interest expense for the years ended June 30, 2014 and 2013 was \$19,097 and \$19,375, respectively. In 2014, the interest was paid by a related entity.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**NOTE 6 - LOANS PAYABLE (continued)**

Future loan payments are as follows:

2015	\$ 825,000
2016	<u>25,000</u>
	<u>\$ 850,000</u>

Subsequent to year-end, in September 2014, Cypress Hills entered into a \$682,000 uncollateralized loan agreement with Local Initiative Support Corporation (LISC) to develop affordable housing for low-income seniors. The annual interest rate of the loan is 6%. The loan is due on the earlier of the closing date of the housing project or 18 months from the original loan.

**NOTE 7 - LEASE COMMITMENTS**

Office space is leased under a 25-year noncancelable 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 annual 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.

Cypress Hills entered into a noncancelable operating lease for office space at 2930 Fulton Street. The lease expires on October 31, 2018. Monthly rental payments are subject to annual increases.

Cypress Hills entered into the following leases with related parties:

Cypress Hills entered into a noncancelable operating lease with Arlington Apartments HDFC for office space located at 3214 Fulton Street, Brooklyn, New York. The lease expires on December 31, 2018. Monthly payments are \$1,039 and are not subject to any increases.

Cypress Hills entered into a noncancelable operating lease with Cypress Homes HDFC for office space located at 2836 Fulton Street, Brooklyn, New York. The lease expires on December 31, 2018. Under the terms of the lease, monthly payments are \$908 and are not subject to any increases.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**NOTE 7 - LEASE COMMITMENTS (continued)**

Cypress Hills entered into a noncancelable operating lease with Cypress Homes HDFC for office space at 2966 Fulton Street. The lease expires on August 31, 2018. Under the terms of the lease, monthly payments are \$2,555 and are not subject to any increases.

Cypress Hills entered into a noncancelable operating lease agreement with Cypress Plaza Group LP for office space. The lease expires in 2024. Monthly rental payments are subject to annual increases.

Rent expense for the years ended June 30, 2014 and 2013 was \$163,684 and \$125,567, respectively.

Future minimum payments are due as follows:

2015	\$ 196,175
2016	200,815
2017	204,335
2018	207,947
2019	130,833
Thereafter	<u>493,032</u>
Total	<u>\$ 1,433,137</u>

Cypress Hills leases office equipment under noncancelable operating lease agreements which expire at various dates through September 2019. Rental expense for the years ended June 30, 2014 and 2013 was \$42,045 and \$40,363, respectively.

The minimum annual lease payments are as follows:

2015	\$ 48,075
2016	45,786
2017	42,906
2018	36,055
2019	20,061
Thereafter	<u>1,634</u>
Total	<u>\$ 194,517</u>

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**CYPRESS HILLS LOCAL DEVELOPMENT  
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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**NOTE 8 - RENTAL INCOME**

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

2015	\$ 118,937
2016	119,232
2017	119,420
2018	124,891
2019	126,896
Thereafter	<u>11,142</u>
Total	<u>\$ 620,518</u>

**NOTE 9 - CONCENTRATIONS**

The majority of Cypress Hills' government grants are funded through New York State and New York City government programs. The outstanding grants receivable and revenue due from New York City and New York State as of June 30, 2014 and 2013 are as follows:

	<u>2014</u>		<u>2013</u>	
	<u>Receivables</u>	<u>Revenues</u>	<u>Receivables</u>	<u>Revenues</u>
New York City	\$ 1,051,831	\$ 3,726,901	\$ 542,966	\$ 2,837,862
New York State	757,864	1,738,106	485,977	983,734

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.

**NOTE 10 - 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 an annual basis. Pension expense for the years ended June 30, 2014 and 2013 was \$50,690 and \$45,606, respectively.

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**CYPRESS HILLS LOCAL DEVELOPMENT  
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**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2014 AND 2013**

**NOTE 11 - CONTRIBUTED SERVICES**

Cypress Hills received in-kind assistance from Brooklyn Legal Services Corporation. In 2014, the total value of in-kind services was \$115,000, which has been reflected as revenues and expenses in the accompanying statement of activities.

**NOTE 12 - COMMITMENTS**

Cypress Hills has guaranteed loans for the following related corporations:

- A. Cypress Homes HDFC for the benefit of Local Initiatives Support Corporation (LISC) - The maximum value of the loan is \$2,000,000. At June 30, 2014, the balance was \$25,164.
- B. Cypress Homes HDFC for the benefit of M&T Bank - The maximum value of the loan is \$361,000. At June 30, 2014, the balance was \$353,396.
- C. Cypress Plaza Group LP for the benefit of Capital One Bank - The maximum value of the loan is \$860,235. At June 30, 2014, the balance was \$778,671.
- D. Pitkin-Berriman HDFC for the benefit of New York City Acquisition Fund LLC - The maximum value of the loan is \$1,930,000. At June 30, 2014, the balance was \$1,834,379.
- E. Pitkin-Berriman HDFC for the benefit of Local Initiatives Support Corporation (LISC) - The maximum value of the loan is \$60,211. At June 30, 2014, the balance of the loan was \$60,211.