

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

**Consolidated and Combined Financial Statements
(With Supplementary Information)
and Independent Auditor's Report**

June 30, 2023 and 2022



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

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Independent Auditor's Report

To the Board of Directors
Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates

Report on the Audit of the Consolidated and Combined Financial Statements

Opinion

We have audited the accompanying consolidated and combined financial statements of Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates, which comprise the consolidated and combined statement of financial position as of June 30, 2023 and 2022, and the related consolidated and combined statements of activities, changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated and combined financial statements.

In our opinion, based on our audits and the reports of the other auditor, the consolidated and combined financial statements referred to above present fairly, in all material respects, the financial position of the Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates, as of June 30, 2023 and 2022, and changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion. We did not audit the financial statements of a certain consolidated entity as of June 30, 2023 and 2022, which statement reflects total assets of \$4,643,476 and \$3,524,188, respectively, and total change in net assets of \$223,087 and \$77,524, respectively, of the related consolidated and combined financial statements total for the years then ended. That statement was audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts of that consolidated entity is based solely on the reports of the other auditors.

Responsibilities of Management for the Consolidated and Combined Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated and combined financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the consolidated and combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and combined financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates' ability to continue as a going concern for one year after the date that the consolidated and combined financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated and Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated and combined financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated and combined financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated and combined financial statements as a whole. The accompanying consolidating and combining supplementary information on pages 35 to 38 is presented for purposes of additional analysis and is not a required part of the consolidated and combined 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 and combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated and combined 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 and combined financial statements or to the consolidated and combined 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 and combined financial statements as a whole.

CohnReznick LLP

New York, New York
August 9, 2024

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

**Consolidated and Combined Statements of Financial Position
June 30, 2023 and 2022**

	<u>Assets</u>	
	<u>2023</u>	<u>2022</u>
Cash	\$ 3,488,679	\$ 4,702,397
Accounts receivable, net	673,408	719,003
Receivables from related parties	3,390,953	3,018,518
Other receivables	333,596	683,490
Government grant receivable, net	6,478,275	4,560,772
Prepaid expenses	173,988	233,354
Restricted deposits and funded reserves	2,687,882	2,543,861
Tenant deposits held in trust	203,609	208,518
Utility deposits	152,391	90,133
Operating right-of-use assets	14,065,581	-
Finance right-of-use assets	173,372	-
Other intangibles, net	106,531	120,016
Fixed assets, net	65,690,599	67,514,553
Other noncurrent assets	42,154	55,356
	<u>\$ 97,661,018</u>	<u>\$ 84,449,971</u>
<u>Liabilities and Net Assets</u>		
Liabilities		
Accounts payable	\$ 2,402,963	\$ 1,855,148
Accrued expenses	1,810,753	1,601,930
Accrued interest payable	2,392,663	1,900,380
Deferred grant revenue	801,489	1,267,089
Tenant deposits held in trust	241,697	231,343
Accrued construction costs	50,000	50,000
Asset management fees payable	66,780	57,413
Due to related parties and affiliates	-	4,206
Unearned and deferred rent	6,563	5,867
Operating lease liabilities	14,659,701	-
Finance lease liabilities	173,372	-
Mortgages and loans payable, net of unamortized debt issuance	46,815,618	46,875,015
	<u>69,421,599</u>	<u>53,848,391</u>
Net assets		
Without donor restrictions - controlling	10,560,767	10,532,756
Without donor restrictions - noncontrolling	14,052,923	17,297,755
With donor restrictions	3,625,729	2,771,069
	<u>28,239,419</u>	<u>30,601,580</u>
	<u>\$ 97,661,018</u>	<u>\$ 84,449,971</u>

See Notes to Consolidated and Combined Financial Statements.

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

**Consolidated and Combined Statement of Activities
Year Ended June 30, 2023**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Tenant rent and other charges, net of vacancies	\$ 3,805,497	\$ -	\$ 3,805,497
Government contracts and grants	17,534,013	-	17,534,013
Contributions	851,295	3,844,351	4,695,646
In-kind contributions	622,871	-	622,871
Management fees revenue	16,294	-	16,294
Social service fee revenue	10,000	-	10,000
Contract service fees	710,686	-	710,686
Special events	177,919	-	177,919
Interest income	12,351	-	12,351
Investment income	21,800	-	21,800
Other income	329,962	-	329,962
Net assets released from restrictions	<u>2,989,691</u>	<u>(2,989,691)</u>	<u>-</u>
 Total revenue	 <u>27,082,379</u>	 <u>854,660</u>	 <u>27,937,039</u>
Expenses			
Program services			
Youth and Human Services	9,967,977	-	9,967,977
Housing Development and Counseling	2,352,480	-	2,352,480
Economic Development and Community Organizing	3,630,446	-	3,630,446
Early Childhood Education	3,389,009	-	3,389,009
Affordable Housing Projects	<u>6,923,575</u>	<u>-</u>	<u>6,923,575</u>
 Total program services	 <u>26,263,487</u>	 <u>-</u>	 <u>26,263,487</u>
Supporting services			
Management and general	3,500,058	-	3,500,058
Fundraising and development	<u>535,655</u>	<u>-</u>	<u>535,655</u>
 Total supporting services	 <u>4,035,713</u>	 <u>-</u>	 <u>4,035,713</u>
 Total expenses	 <u>30,299,200</u>	 <u>-</u>	 <u>30,299,200</u>
 Change in net assets	 <u>\$ (3,216,821)</u>	 <u>\$ 854,660</u>	 <u>\$ (2,362,161)</u>

See Notes to Consolidated and Combined Financial Statements.

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

**Consolidated and Combined Statement of Activities
Year Ended June 30, 2022**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenue and support			
Tenant rent and other charges, net of vacancies	\$ 3,731,819	\$ -	\$ 3,731,819
Government contracts and grants	14,321,145	-	14,321,145
Contributions	2,338,386	2,741,898	5,080,284
Management and social service fees	20,875	-	20,875
Social service fee revenue	31,090	-	31,090
Contract service fees	105,590	-	105,590
Developer fees	814,896	-	814,896
Special events	170,494	-	170,494
Interest income	21,761	-	21,761
Investment income	3,351	-	3,351
Other income	267,660	-	267,660
Forgiveness of paycheck protection loan	2,302,739	-	2,302,739
Net assets released from restrictions	<u>2,616,898</u>	<u>(2,616,898)</u>	<u>-</u>
 Total revenue	 <u>26,746,704</u>	 <u>125,000</u>	 <u>26,871,704</u>
Expenses			
Program services			
Youth and Human Services	9,321,998	-	9,321,998
Housing Development and Counseling	2,696,570	-	2,696,570
Economic Development and Community Organizing	2,517,456	-	2,517,456
Early Childhood Education	3,365,960	-	3,365,960
Affordable Housing Projects	<u>6,598,789</u>	<u>-</u>	<u>6,598,789</u>
 Total program services	 24,500,773	 -	 24,500,773
Supporting services			
Management and general	2,333,441	-	2,333,441
Fundraising and development	<u>457,050</u>	<u>-</u>	<u>457,050</u>
 Total supporting services	 <u>2,790,491</u>	 <u>-</u>	 <u>2,790,491</u>
 Total expenses	 <u>27,291,264</u>	 <u>-</u>	 <u>27,291,264</u>
 Change in net assets	 <u>\$ (544,560)</u>	 <u>\$ 125,000</u>	 <u>\$ (419,560)</u>

See Notes to Consolidated and Combined Financial Statements.

Cypress Hills Local Development Corporation, Inc. and Subsidiaries

**Consolidated and Combined Statements of Changes in Net Assets
Years Ended June 30, 2023 and 2022**

	Without donor restrictions		With donor restrictions	Total net assets
	Controlling	Noncontrolling		
Balance, June 30, 2021	\$ 7,669,230	\$ 20,705,841	\$ 2,646,069	\$ 31,021,140
Change in net assets	<u>2,863,526</u>	<u>(3,408,086)</u>	<u>125,000</u>	<u>(419,560)</u>
Balance, June 30, 2022	10,532,756	17,297,755	2,771,069	30,601,580
Change in net assets	<u>28,011</u>	<u>(3,244,832)</u>	<u>854,660</u>	<u>(2,362,161)</u>
Balance, June 30, 2023	<u>\$ 10,560,767</u>	<u>\$ 14,052,923</u>	<u>\$ 3,625,729</u>	<u>\$ 28,239,419</u>

See Notes to Consolidated and Combined Financial Statements.

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

**Consolidated and Combined Statement of Functional Expenses
Year Ended June 30, 2023**

	Program services					Supporting services			Total
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	Early Childhood Education	Affordable Housing Projects	Total	Management and general	Fundraising and development	
Personnel costs									
Salaries	\$ 6,853,990	\$ 1,245,242	\$ 2,031,935	\$ 1,633,861	\$ 428,677	\$ 12,193,705	\$ 1,582,388	\$ 373,895	\$ 14,149,988
Payroll taxes and employee benefits	1,171,675	301,952	490,975	309,537	67,343	2,341,482	311,482	104,936	2,757,900
Total personnel costs	8,025,665	1,547,194	2,522,910	1,943,398	496,020	14,535,187	1,893,870	478,831	16,907,888
Other than personnel costs									
Office expense	817,817	88,045	318,794	940,147	112,032	2,276,835	166,788	6,313	2,449,936
Equipment rental and maintenance	117,342	19,456	31,418	37,357	880	206,453	38,832	-	245,285
Management fees	-	-	-	-	-	-	206,791	-	206,791
Rent expense	172,362	75,716	383,164	127,877	-	759,119	75,966	-	835,085
Utilities expense	23,817	13,058	28,774	27,188	925,851	1,018,688	44,379	723	1,063,790
Legal fees	-	-	-	-	8,016	8,016	-	-	8,016
Professional services and consultants	409,157	349,439	253,172	63,152	168,037	1,242,957	870,501	-	2,113,458
Building repair and maintenance	14,334	39,632	18,757	65,981	908,414	1,047,118	28,754	-	1,075,872
Real estate taxes	-	-	-	-	141,239	141,239	-	-	141,239
Insurance expense	163,685	43,225	43,315	31,031	442,713	723,969	20,603	1,018	745,590
Other taxes, licenses and insurance	1,815	8,785	4,002	-	11,056	25,658	3,065	-	28,723
Interest expense	-	48	-	-	767,258	767,306	8,447	-	775,753
Advertising	-	500	3,190	-	23,799	27,489	8,501	3,129	39,119
Youth events and activities	200,008	-	22,950	79,670	-	302,628	1,013	45,470	349,111
Depreciation and amortization	-	-	-	21,026	2,519,712	2,540,738	115,196	-	2,655,934
Bad debt (recovery)	-	-	-	-	335,138	335,138	-	-	335,138
Miscellaneous financing fees	-	-	-	3,450	35,046	38,496	7,798	171	46,465
Other miscellaneous expense	21,975	167,382	-	48,732	28,364	266,453	9,554	-	276,007
Total expenses	\$ 9,967,977	\$ 2,352,480	\$ 3,630,446	\$ 3,389,009	\$ 6,923,575	\$ 26,263,487	\$ 3,500,058	\$ 535,655	\$ 30,299,200

See Notes to Consolidated and Combined Financial Statements.

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

**Consolidated and Combined Statement of Functional Expenses
Year Ended June 30, 2022**

	Program services						Supporting services		
	Youth and Human Services	Housing Development and Counseling	Economic Development and Community Organizing	Early Childhood Education	Affordable Housing Projects	Total	Management and general	Fundraising and development	Total
Personnel costs									
Salaries	\$ 5,946,980	\$ 880,051	\$ 1,599,233	\$ 1,846,846	\$ 440,555	\$ 10,713,665	\$ 1,663,183	\$ 315,539	\$ 12,692,387
Payroll taxes and employee benefits	1,137,762	242,581	323,914	159,222	75,152	1,938,631	335,614	102,621	2,376,866
Total personnel costs	7,084,742	# 1,122,632	# 1,923,147	2,006,068	515,707	12,652,296	1,998,797	418,160	15,069,253
Other than personnel costs									
Office expense	790,246	89,778	212,106	802,395	95,833	1,990,358	24,293	4,478	2,019,129
Equipment rental and maintenance	135,875	121,744	41,911	27,777	272	327,579	669	-	328,248
Management fees	-	-	-	-	-	-	229,877	-	229,877
Rent expense	10,185	86,740	83,728	94,236	-	274,889	-	-	274,889
Utilities expense	15,037	2,918	14,478	21,196	865,777	919,406	-	723	920,129
Legal fees	-	-	-	-	-	-	132	-	132
Professional services and consultants	540,898	240,727	202,007	64,828	178,752	1,227,212	60,071	21,000	1,308,283
Building repair and maintenance	96,312	-	11,832	20,551	843,353	972,048	453	-	972,501
Real estate taxes	-	-	-	-	136,163	136,163	-	-	136,163
Insurance expense	140,885	24,214	27,424	27,148	403,745	623,416	4,536	1,018	628,970
Other taxes, licenses and insurance	2,425	144	-	-	26,145	28,714	-	-	28,714
Interest expense	-	-	-	-	676,086	676,086	9,539	-	685,625
Advertising	3,275	-	500	103,483	53,162	160,420	-	-	160,420
Youth events and activities	239,567	-	-	174,558	-	414,125	1,013	11,500	426,638
Depreciation and amortization	54,797	-	-	3,778	2,508,801	2,567,376	2,620	-	2,569,996
Bad debt	-	908,354	-	-	180,773	1,089,127	-	-	1,089,127
Miscellaneous financing fees	115,975	-	-	1,071	16,863	133,909	-	171	134,080
Other miscellaneous expense	91,779	99,319	323	18,871	97,357	307,649	1,441	-	309,090
Total expenses	\$ 9,321,998	# \$ 2,696,570	# \$ 2,517,456	\$ 3,365,960	\$ 6,598,789	\$ 24,500,773	\$ 2,333,441	\$ 457,050	\$ 27,291,264

See Notes to Consolidated and Combined Financial Statements.

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

**Consolidated and Combined Statements of Cash Flows
Years Ended June 30, 2023 and 2022**

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ (2,362,161)	\$ (419,560)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	2,646,996	2,569,996
Amortization of debt issuance costs	8,938	29,467
Forgiveness of Paycheck Protection Loan	-	(2,302,739)
Noncash operating lease costs	(10,069,503)	-
Noncash finance lease costs	59,083	-
Bad debt	335,138	1,089,127
Changes in operating assets and liabilities		
Accounts receivable	(2,229,587)	(2,209,761)
Prepaid expenses and deposits	59,366	30,461
Other assets	26,687	24,719
Accounts payable and accrued expenses	766,005	828,256
Accrued mortgage interest payable	492,283	273,453
Deferred grant revenue	(465,600)	1,257,089
Tenants' security deposits payable	10,354	(6,740)
Operating lease liabilities	10,663,623	-
Finance lease liabilities	(59,083)	-
Deferred rent payable	696	(10,154)
Due to related party and affiliates	(4,206)	(30,780)
	<u>(120,971)</u>	<u>1,122,834</u>
Net cash provided by (used in) operating activities		
Cash flows from investing activities		
Purchase of fixed assets	(823,042)	(1,171,088)
Changes in restricted deposits and other reserves	(144,021)	126,261
Changes in utility deposits	(62,258)	(42,368)
	<u>(1,029,321)</u>	<u>(1,087,195)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Repayments of mortgages payable	(318,335)	(269,502)
Proceeds from line of credit	250,000	250,000
	<u>(68,335)</u>	<u>(19,502)</u>
Net cash used in financing activities		
Net increase (decrease) in cash and restricted cash	(1,218,627)	16,137
Cash and restricted cash, beginning of year	4,910,915	4,894,778
Cash and restricted cash, end of year	<u>\$ 3,692,288</u>	<u>\$ 4,910,915</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 283,470</u>	<u>\$ 367,985</u>
Right-of-use assets obtained in exchange for operating lease liabilities	<u>\$ 232,455</u>	<u>\$ -</u>
Cash paid for amounts included in measurement of operating lease liabilities	<u>\$ 631,115</u>	<u>\$ -</u>
Cash paid for amounts included in measurement of finance lease liabilities	<u>\$ 67,186</u>	<u>\$ -</u>

See Notes to Consolidated and Combined Financial Statements.

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

Note 1 - Nature of operations and summary of significant accounting policies

Nature of operations

Cypress Hills Local Development Corporation ("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.

Principles of consolidation

The consolidated and combined financial statements include the accounts of CHLDC and its wholly-owned corporate subsidiaries, nonprofit entities which CHLDC and its corporate subsidiaries control through common board membership and limited partnership and limited liability corporations entities in which CHLDC and its corporate subsidiaries have general partnership interests (collectively, the "Organization"), as required by accounting principles generally accepted in the United States of America ("GAAP").

Based on the provisions of Accounting Standards Codification Topic 810, the Organization and its subsidiaries determined that the presumption of control for the entities in which the Organization and its subsidiaries are the general partner had not been overcome, and as a result, the Organization and its subsidiaries are required to consolidate the financial statements of those entities.

The accompanying consolidated and combined financial statements include the activities, for the year ended June 30, 2023 and 2022, of entities controlled by the Organization and its subsidiaries through its sponsorship in other nonprofit entities or its controlling interest in for-profit entities as follows:

Wholly-Owned Entities	Partnership Interest Entities
Cypress West Housing Development Fund Corporation	Cypress Pitkin Berriman, L.P.
Cypress Homes Housing Development Fund Corporation	Cypress Corners L.P.
Arlington Apartments Housing Development Fund Corporation	Cypress Plaza Group, L.P.
Cypress Hills Child Care Corporation	Cypress Court Associates, L.P.
* Cypress Place Senior Housing Corporation	Cypress Hills Senior Housing LP
* Pitkin-Berriman HDFC	Cypress Village Limited Partnership
* Cypress Hills Community School Development Corporation	
* Cypress Hills Liberty, Inc.	
* Liberty Apartments HDFC	
* Cypress Mews HDFC	
* Cypress Corners Housing Corporation	
* Cypress Village Housing Corporation	
* Cypress Court Housing Corporation	
* Cypress Plaza Development Corporation	

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

*These wholly-owned entities have immaterial or no activity during the years ended June 30, 2023 and 2022 and, therefore, no amount of activity are presented for these entities individually.

The following are for-profit entities, which are wholly, or majority owned by CHLDC and act in the capacity of general partner in limited partnerships or managing member in limited liability companies. The activity of these entities is immaterial to the consolidated and combined financial statements and would be eliminated in the consolidated and combined financial statements therefore no amounts of activity is presented for these entities individually:

- Cypress Corners Housing Corporation
- Cypress Court Housing Corporation
- Pitkin Housing Corporation
- Cypress Plaza Development Corporation
- Cypress Hills Senior Housing HDFC

Net asset classification

The Organization presents its consolidated and combined financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Organization is required to report information regarding its financial position and activities according to two classes of net assets:

I. Net assets without donor restrictions

- i. Controlling - represent expendable resources that are used to carry out the operations of the Organization and its Subsidiaries and Affiliates and are not subject to donor-imposed stipulations.
- ii. Noncontrolling - represent the aggregate balance as of June 30, 2023 and 2022 of limited partner/member equity interest in the non-wholly-owned housing entities that are included in the consolidated and combined financial statements.

II. Net assets with donor restrictions

- i. Net assets - generally, net assets subject to donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates, that resources be maintained in perpetuity. As of June 30, 2023 and 2022, the donor-restricted net asset balance was \$3,625,729 and \$2,771,069, respectively.

Use of estimates

The preparation of the consolidated and combined financial statements in conformity with GAAP 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 consolidated and combined financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

Investments

Investments are reported at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position, and changes in fair value are reported as investment income, net in the statements of activities.

Purchases and sales of investments are reflected on a trade-date basis. Gains and losses on sales and maturities of investments are based on cost and are recorded in the statement of activities in the period in which the investments are sold or mature. Interest is recorded when earned.

Certificates of deposits and U.S. Treasury Bills with original maturities greater than three months are carried at cost, which approximates fair value, and are included in restricted deposits and funded reserves on the consolidated and combined statement of financial position.

Tenants' security deposits

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

Accounts receivable

Tenant and commercial receivables are reported net of allowances for doubtful accounts. Management's estimates of the allowances are based on historical collection experience and a review of the current status of accounts receivable. It is reasonably possible that management's estimates of the allowances will change. As of June 30, 2023 and 2022, the allowance for doubtful accounts was \$752,061 and \$401,408, respectively.

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:

	<u>Method</u>	<u>Estimated life</u>
Building and improvements	Straight-line	27.5 years
Leasehold improvements	Straight-line	2 - 10 years
Furniture, fixtures and equipment	Straight-line	3 - 10 years

Impairment of long-lived assets

The Organization reviews their rental property for potential impairment on an annual basis. Impairment is generally defined as events or changes in circumstances indicate that the carrying value of an asset may not be recoverable as of the statement of functional position date. When recovery is reviewed, if the undiscounted cash flows estimated to be generated by the Real Estate Entity are less than it's carrying amount, management compares the carrying amount of the rental property to its estimated fair value in order to determine whether an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. No asset impairment was recognized during the years ended June 30, 2023 and 2022.

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

Deferred fees and amortization

Fees associated with obtaining real estate tax exemptions and low-income housing tax credits of certain affiliated entities are amortized over the life of the respective tax exemption and tax credit period using the straight-line method. Amortization expense for both the years ended June 30, 2023 and 2022 was \$8,768. Annual amortization expense relating to the real estate tax exemptions and low-income housing tax credits for each of the next five years through June 30, 2027 is estimated to be \$8,768 each year.

Predevelopment costs

The Organization incurs costs in connection with properties it is considering for development as well as costs associated with properties in the initial stages of development. These costs include such items as market studies, purchase options, environmental study costs, legal, architectural and design costs. These costs are capitalized and recorded as predevelopment project costs until such time as the project is either abandoned or becomes an approved project with independent funding sources. Predevelopment project costs are charged to operations, either at the time a potential project is no longer considered desirable, feasible, or at the time the project has incurred excess development costs, which are absorbed by the Organization and charged to operations per terms of the related partnership or operating agreements. Predevelopment project costs related to projects that are ultimately developed are recorded as other receivables.

Revenue recognition

Transactions where the resource provider often receive value indirectly by providing a societal benefit, although the societal benefit is not considered to be of commensurate value, are deemed to be contributions. Contributions are classified as either conditional or unconditional. A conditional contribution is a transaction where the Organization has to overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Organization fails to overcome the barrier. The Organization recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as deferred revenue.

Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received. Conditional and unconditional contributions are recorded as either with donor restrictions or without donor restrictions. Contributions are recognized as contributions with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as contributions without donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified as net assets without donor restrictions and are reported in the consolidated and combined statements of activities and changes in net assets as net assets released from restriction. Donor-restricted contributions whose restrictions expire during the same fiscal year are recognized as contribution without donor restrictions.

Development fees earned are paid from a project's equity and debt proceeds at the completion of the construction of the project. These fees are recognized over the development period, beginning when the project is assured of being constructed, as evidenced by the admission of an equity partner, as units are delivered or based on the external construction costs incurred as a percentage of the total external construction costs expected, and concluding with the application for final allocation of tax credits. Any portion of the development fee not expected to be paid using contributions from the equity partner, such as out of cash flow from operations represents variable consideration. The project estimates whether it will be entitled to variable consideration under the

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

terms of the development agreement and includes its estimate of variable consideration in the total development fee amount when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur in accordance with the accounting guidance in ASC Topic 606, Revenue from Contracts with Customers, on constraining estimates of variable consideration, which typically includes the following factors:

- The susceptibility of the consideration amount to factors outside the project's influence, including insufficient equity and debt proceeds at the completion of the construction of the project.
- Whether the uncertainty about the consideration amount is not expected to be resolved for a long period of time.
- The Organization's experience with similar types of agreements.
- Whether the Organization expects to offer changes to payment terms.
- The range of possible consideration amounts.

The cumulative amount of development fees earned over the development agreement is updated at each reporting period based on the project's estimate of the variable consideration using available information at the reporting date. Any difference between the gross amount of the project's developer fee payable and the estimate of variable consideration to which the developer expects to be entitled is eliminated in consolidation.

Residential rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between the entities and the tenants of the properties are operating leases.

Commercial rent income is recognized on a straight-line basis where contractual rent increases are recognized equally over the lease term. Rental income recorded on the straight-line basis in excess of the rents billed is recognized as deferred commercial rents receivable. Rents collected in advance are recorded as deferred revenue. The Organization bills certain tenants proportionally for their share of utility and maintenance costs. All lease agreements are for at least a one-year term. All leases are considered to be operating leases.

Revenue from grants and contracts with resource providers such as the government and its agencies, other organizations and private foundations are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Organization, the revenue from the grant or contract is accounted for as an exchange transaction. For purposes of determining whether a transfer of asset is a contribution, or an exchange, the Organization deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied.

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

Functional expenses

The consolidated and combined statements of activities present expenses of the Organization's operations functionally between general and administrative, program and fundraising. Expenses are allocated based on a percentage of total salaries used in performing program services, general and administrative, and fundraising. Those expenses, which cannot be functionally categorized, are allocated between functions based upon management's estimate of usage applicable to conducting those functions.

Debt issuance costs

Debt issuance costs, net of accumulated amortization, are reported as a direct deduction from the face amount of the mortgage loan payable to which such costs relate. Amortization of debt issuance costs is reported as a component of interest expense and is computed using an imputed interest rate on the related loan.

Advertising costs

Advertising costs are charged to operations as incurred.

Investment in limited partnerships

The investment in Chestnut Commons Apartments LLC is accounted for under the equity method of accounting as Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates does not exercise control or meet the requirements for consolidation. Amounts contributed are carried at cost and adjusted for the Organization's proportionate share of undistributed earnings or losses. As of June 30, 2023 and 2022, the balance of the investment in limited partnerships was \$0 and \$0, respectively.

Income taxes

Cypress Hills Local Development Corporation, Inc., Cypress Hills Child Care Corporation, Arlington Apartments HDFC, Cypress Homes HDFC, Cypress West Housing Development Fund Corporation, Cypress Hills Community School Development Corporation, Cypress Hills Liberty, Inc., Liberty Apartments HDFC, Cypress Mews HDFC, and Pitkin Berriman HDFC (collectively, the "Nonprofit Corporations") have applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as tax-exempt entities pursuant to Section 501(c)(3) of the Internal Revenue Code. There was no unrelated business income for the year ended June 30, 2023 and 2022. Due to their tax-exempt status, the Nonprofit Corporations are not subject to income taxes. The Nonprofit Corporations are required to file and do file tax returns with the IRS and other taxing authorities.

Management has analyzed the tax positions taken by the Organization and has concluded that, as of June 30, 2023 and 2022, there are no uncertain tax positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated and combined financial statements.

Cypress Corners Housing Corporation, Cypress Court Housing Corporation, Cypress Plaza Development Corporation, Cypress Village Housing Corporation, Pitkin Housing Corporation and Cypress Place Senior Housing Corporation (collectively, the "C-Corps") have elected to be treated as a corporation, and all items of taxable income, deductions and tax credits are subject to federal and state income taxes. Management has not deemed there to be any significant current or deferred tax assets or liabilities related to the tax status of the C-Corps. Accordingly, these financial statements do not reflect provisions for income taxes and the C-Corps have no other tax positions which must be considered for disclosure.

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

The remaining entities included in these consolidated and combined financial statements are partnerships or limited liability companies whose activities are passed through and reported directly by their partners or members. Accordingly, these consolidated and combined financial statements do not reflect a provision for income taxes and the Corporation has no other tax positions which must be considered for disclosure related to these entities.

Tax years still open for IRS examination are the years ended June 30, 2020 and thereafter.

Noncash contributions

Noncash contributions consist of donated professional fees reported at fair value at the date the services are rendered.

Adoption of accounting principles

For the year ended June 30, 2023, CHLDC adopted Accounting Standards Update 2016-02 (as amended), *Leases* (Topic 842) on July 1, 2022. Topic 842 requires lessees to recognize a right-of-use asset and a corresponding lease liability for most leases. CHLDC elected the modified retrospective transition approach and applied the following transition practical expedients when initially adopting Topic 842:

- To apply the provisions of Topic 842 at the adoption date, instead of applying them to the earliest comparative period presented in the consolidated financial statements.
- The package of practical expedients permitting CHLDC to not reassess (i) the lease classification of existing leases; (ii) whether existing and expired contracts are or contain leases; and (iii) initial direct costs for existing leases.

CHLDC recognized the following as of the adoption date in connection with transitioning to Topic 842.

	As of July 1, 2022
Operating right-of-use assets	3,996,078
Operating lease liabilities	3,996,078

CHLDC presents its right-of-use assets and lease liabilities for operating and finance leases separately on its consolidated statements of financial position. See note 13 regarding its right-of-use assets and lease liabilities for both operating and finance leases.

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

Note 2 - Liquidity

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates' financial assets available within one year of the consolidated and combined statements of financial position date for general expenditure are as follows:

	2023	2022
Financial assets at year end		
Cash	\$ 3,488,679	\$ 4,702,397
Accounts receivable, net	673,408	719,003
Receivables from related parties	3,390,953	3,018,518
Other receivables, net	333,596	683,490
Government grant receivable, net	6,478,275	4,560,772
Restricted deposits and funded reserves	2,687,882	2,543,861
Tenant deposits held in trust	203,609	208,518
Utility deposits	152,391	90,133
Total financial assets	17,408,793	16,526,692
Less amounts not available to be used within one year		
Receivables from related parties	3,390,953	3,018,518
Restricted deposits and funded reserves	2,687,882	2,543,861
Tenant deposits held in trust	203,609	208,518
Utility deposits	152,391	90,133
Total financial assets not available to be used within one year	6,434,835	5,861,030
Financial assets available to meet general expenditures over the next 12 months	\$ 10,973,958	\$ 10,665,662

Cypress Hills Local Development Corporation, Inc. and Subsidiaries and Affiliates manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long term obligations will be discharged. Cypress monitors liquidity and cash flows on an ongoing basis to ensure an appropriate amount of cash and cash equivalents are available to meet current expenditure needs.

Note 3 - Restricted deposits and funded reserves

Pursuant to the respective loan, operating, partnership and/or regulatory agreements with the U.S. Department of Housing and Urban Development ("HUD"), New York State Division of Housing and Community Renewal ("HCR") and the City of New York's Department of Housing Preservation and Development ("HPD"), certain entities are required to establish various reserves to be used to fund any major repair, capital expenditures, various operating deficits, taxes and insurance, replacement of capital and other items.

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

**Notes to Consolidated and Combined Financial Statements
June 30, 2023 and 2022**

As of June 30, 2023 and 2022, the balances are as follows:

	<u>2023</u>	<u>2022</u>
Replacement reserves		
Cypress Homes Housing Development Fund Corporation	\$ 8,913	\$ 4,694
Cypress West Housing Development Fund Corporation	41,350	38,950
Cypress Village Limited Partnership	85,503	107,685
Cypress Corners L.P.	5,318	5,204
Cypress Plaza Group	73,997	68,497
Cypress Hills Senior Housing LP	430,374	339,737
Cypress Pitkin Berriman	66,311	45,767
Operating reserves		
Arlington Apartments Housing Development Fund Corporation	20,234	20,234
Cypress West Housing Development Fund Corporation	157,123	156,315
Cypress Village Limited Partnership	71,900	92,650
Cypress Court Associates L.P.	103,861	170,052
Cypress Corners L.P.	557,672	543,589
Cypress Plaza Group	89,661	2,798
Cypress Hills Senior Housing LP	298,858	298,858
Cypress Pitkin Berriman	341,790	341,790
Escrow deposits		
Cypress Village Limited Partnership	29,144	38,753
Cypress Hills Senior Housing LP	16,889	16,984
Cypress Pitkin Berriman	118,376	80,517
Other reserves		
Cypress West Housing Development Fund Corporation	78,070	77,757
Cypress Pitkin Berriman	92,538	93,030
Total restricted deposit and funded reserves	<u>\$ 2,687,882</u>	<u>\$ 2,543,861</u>

Note 4 - Related party transactions

Advances to affiliates

Cypress Hills Local Development Corporation, Inc. advanced funds to the Real Estate Entities by agreement. These advances are noninterest-bearing and payable upon demand. Related party receivables and payables are eliminated in the consolidation.

Due to related parties and affiliates

As of June 30, 2023 and 2022, the Organization had a net payable of \$0 and \$4,206, respectively due to related parties.

Developer fees

Cypress Hills Local Development Corporation, Inc. has entered into various development agreements with affiliated entities. The agreements provide for the fees to be paid from capital contributions and future cash flows of the respective entities. Development fees receivable presented in the consolidated and combined financial statements represent developer fees due from related entities for development services. Development fees receivable, development fee income and deferred development fees earned from affiliated entities shall be paid by the affiliated entities upon receipt of the limited partner capital contribution. Any remaining developer fee

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

receivable, and accrued interest thereon if applicable, is payable from operational cash flow of the respective projects. Development fees receivable are reported at their net realizable value. Management's estimate of any allowance is based on collectability determined by future operating cash flows of the related entities. It is reasonably possible that management's estimate of allowances will change. Cypress Hills Local Development Corporation, Inc. also provides "continuing involvement" as defined in the development projects via various guarantee agreements. Accordingly, recognition of a portion of the development fee is deferred until the expiration of those guarantee periods. Amounts payable from operational cash flow from consolidated entities have been eliminated upon consolidation.

During 2023 and 2022, the Organization recorded development fees of \$0 and \$814,896, respectively. As of June 30, 2023 and 2022, \$2,975,306 and \$2,975,306, respectively, remains receivable and is included in receivables from related parties on the accompanying consolidated and combined statement of financial position. As of July 1, 2022, the development fee receivable was \$2,975,306.

Due from affiliates

As of June 30, 2023 and 2022, the Organization had a net receivable of \$3,390,953 and 3,018,518 due from related parties, respectively, which is included in receivables from related parties on the accompanying consolidated and combined statement of financial position.

Note 5 - Property and equipment

Property and equipment consist of the following as of June 30, 2023 and 2022:

	2023	2022
Land	\$ 3,913,374	\$ 3,913,374
Building and improvements	81,229,436	81,451,343
Leasehold improvements	334,278	938,291
Furniture, fixtures and equipment	3,183,208	2,037,484
Construction in progress	2,697,253	3,599,265
Subtotal	91,357,549	91,939,757
Accumulated depreciation	(25,666,950)	(24,425,204)
Balance, net	<u>\$ 65,690,599</u>	<u>\$ 67,514,553</u>

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

**Notes to Consolidated and Combined Financial Statements
June 30, 2023 and 2022**

Note 6 - Mortgages and notes payable

As of June 30, 2023 and 2022, the Organization had the following outstanding mortgages and notes payable:

<u>Lender</u>	<u>Project</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Balance at 6/30/2023</u>	<u>Balance at 6/30/2022</u>
Cypress Hills Local Development Corporation					
Deutsche Bank	Working Capital Program	various	11/30/2025	\$ 86,460	\$ 86,460
Seachange	TPT Loan	6.50%	On demand	342,578	342,578
HUD	Capital Advance Program	0.00%	4/1/2057	8,541,800	8,541,800
Capital One	Capital One Line of Credit	2.25%	10/1/2023	500,000	250,000
Cypress West Housing Development Fund Corporation					
HPD	Hills Properties	0.50%	1/1/2037	1,711,613	1,711,613
HPD	Building Improvements	0.00%	1/1/2042	205,426	205,426
HPD	Hills Properties	1.00%	9/1/2021	643,033	649,999
HPD	Building Reserves	0.00%	1/1/2042	121,005	121,005
Cypress Homes Housing Development Fund Corporation					
M&T	2966 Fulton Street Renovation	6.36%	8/1/2023	245,101	256,936
LISC/HPD	2836 Fulton Street Renovation	6% on LISC	Various dates	199,999	199,999
HPD	2966 Fulton Street Renovation	0.00%	7/24/2033	42,000	42,000
HPD	2966 Fulton Street Rehabilitation	0.00%	7/24/2033	69,568	69,568
Cypress Pitkin Berriman, L.P					
Citibank, N.A.	2501 Pitkin Avenue	5.57%	7/25/2049	4,820,728	4,908,031
Citibank, N.A.	2501 Pitkin Avenue	1.00%	10/1/2070	1,200,000	1,200,000
Deutsche Bank	2501 Pitkin Avenue	0.00%	Various dates	120,000	120,000
CHLDC OCS	2501 Pitkin Avenue	0.25%	7/1/2064	375,000	375,000
HPD	2501 Pitkin Avenue	2.70%	7/25/2049	6,500,000	6,500,000

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

**Notes to Consolidated and Combined Financial Statements
June 30, 2023 and 2022**

<u>Lender</u>	<u>Project</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Balance at 6/30/2023</u>	<u>Balance at 6/30/2022</u>
	Arlington Apartments Housing Development Fund Corporation				
HTFC	New Construction	12.00%	1/5/2030	340,573	340,573
	Cypress Corners L.P.				
HPD	Article 8 Loan and CDBG Loan	1.00%	6/1/2036	1,345,114	1,345,114
HPD	HOME Loan	0.00%	6/1/2036	1,957,751	1,957,751
	Cypress Plaza Group, L.P				
Frderal OCS	Capital Improvements	10.00%	5/1/2040	162,260	162,260
HDC	Capital Improvements	0.25%	5/1/2040	2,354,127	2,654,127
Capital One	Capital Improvements	4.82%	5/1/2025	538,236	569,437
HPD	Capital Improvements	5.75%	5/1/2040	300,000	-
	Cypress Court Associates, L.P.				
HPD	Mortgage Agreement	0.00%	3/29/2030	1,363,310	1,363,310
HPD	HOME Loan	0.00%	3/29/2030	2,372,457	2,372,457
HPD	CDBG Loan	0.00%	3/29/2030	310,000	310,000
HPD	Article 8 Loan	1.00%	3/29/2030	1,277,477	1,277,477
	Cypress Village Limited Partnership				
CPC	Property Acquisition and Improvements	4.65%	10/1/2045	918,798	941,700
HPD	Property Acquisition and Improvements	0.00%	10/2/2045	1,500,000	1,500,000
HPD	Property Acquisition and Improvements	0.00%	10/3/2045	1,145,930	1,145,931
HPD	Property Acquisition and Improvements	0.00%	10/4/2045	1,500,000	1,500,000
HPD	Property Acquisition and Improvements	1.00%	10/1/2045	289,070	289,069
	Cypress Hills Child Care Corporation				
SBA	Paycheck Protection Program Loan	1.00%	2 yrs from disb 1/1/2025; on	166,646	256,267
LISC	Expansion of Programs and Admin Offices 3285-87 Fulton St	6.00%	demand	1,168,908	1,168,908
DCC	Expansion of Programs and Admin Offices 3285-87 Fulton St	4.72%	6/20/2024	102,853	188,618
	Cypress Hills Senior Housing LP				
HUD	Senior Housing Project	0.00%	4/1/2057	8,541,800	8,541,800
HPD	Supportive Housing Loan Program	0.00%	4/10/2074	<u>3,142,826</u>	<u>3,142,826</u>
Total loans payable				56,522,447	56,608,040
Less loans eliminated upon consolidation				(9,199,060)	(9,199,060)
Less unamortized debt issuance costs				<u>(507,769)</u>	<u>(533,965)</u>
				<u>\$ 46,815,618</u>	<u>\$ 46,875,015</u>

The mortgages and notes are secured by the respective entity's underlying properties unless otherwise noted above.

During the years ended June 30, 2023 and 2022, total interest expense was \$809,321 and \$685,625, respectively, inclusive of amortization of debt issuance costs of \$8,938 and \$29,467, respectively. As of June 30, 2023 and 2022, accrued interest of \$2,392,663 and \$1,900,380, respectively, remains payable. The liability of the Organization is limited to the underlying value of the real estate collateral plus other amounts deposited with the lender.

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

**Notes to Consolidated and Combined Financial Statements
June 30, 2023 and 2022**

Principal payments on the mortgages and notes payable for the next five years and thereafter are as follows:

June 30, 2024	\$	482,698
2025		713,483
2026		130,659
2027		136,995
2028		136,995
Thereafter		<u>45,722,557</u>
Total		47,323,387
Less: Unamortized debt issuance costs		<u>(507,769)</u>
Balance, net	\$	<u><u>46,815,618</u></u>

Note 7 - Line of credit

On October 19, 2020, CHLDC entered into a line of credit agreement for working capital needs with Capital One Bank. The \$500,000 line of credit is collateralized by CHLDC's deposits with Capital One Bank. Interest on the outstanding balance is 2.25%. The line of credit is set to mature on March 31, 2024. As of June 30, 2023 and 2022, the outstanding principal balance was \$500,000 and \$250,000, respectively, and is included in mortgages and loans payable, net of unamortized debt issuance cost, on the accompanying consolidated and combined statements of financial position. As of June 30, 2023 and 2022, accrued interest on the line of credit was \$6,188 and \$47, respectively, and is included in accrued interest payable on the accompanying consolidated and combined statements of financial position.

Note 8 - Management fees

All Real Estate Entities are managed by an unrelated third party. The property management agreements provide for a management fee in an amount equal to a percentage of monthly cash collections or a dollar amount per unit, as defined in the various agreements. For the years ended June 30, 2023 and 2022, the property management fee expense was \$206,791 and \$229,877, respectively.

Note 9 - Investments in other entities

The Organization holds an equity investment in Chestnut Commons Apartments LLC, and the investment in the project is as follows:

	Percentage owned	Investment balance, June 30, 2023	Investment balance, June 30, 2022
Investment in Chestnut Commons Apartments LLC	0.004%	\$ -	\$ -

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

The following is a summary of the financial position of Chestnut Commons Apartments LLC as of June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Assets	<u>\$ 143,653,910</u>	<u>\$ 146,773,272</u>
Liabilities	<u>\$ 126,267,411</u>	<u>\$ 137,462,168</u>
Equity	<u>\$ 23,727,989</u>	<u>\$ 9,311,104</u>

As of June 30, 2023, Chestnut Common Apartments LLC operating activity has commenced.

Note 10 - Fair value measurements

The accounting guidance for fair value measurements and disclosures clarifies the principle that fair value should be based on the assumption that market participants would use when pricing the asset or liability, and establishes the following hierarchy:

- Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
- Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable and fair value can be determined through the use of models or other valuation methodologies; and
- Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

Financial assets carried at fair value at June 30, 2023 are classified in the tables below in one of the three categories described above:

Operating Partnership	Description	Fair value at June 30, 2023	Quoted prices in active markets for identical assets/liabilities Level 1	Significant other observable inputs Level 2	Unobservable inputs Level 3
	Equity securities				
	Operating reserve				
Cypress Corners L.P.	Value equity CTF	\$ 139,454	\$ -	\$ 139,454	\$ -
	Replacement reserve				
Cypress Corners L.P.	Value equity CTF	1,137	-	1,137	-
Cypress Corners L.P.	Total equity securities	<u>140,591</u>	<u>-</u>	<u>140,591</u>	<u>-</u>
	Available-for-sale debt securities				
	Operating reserve				
Cypress Corners L.P.	Core fixed income CTF	361,784	-	361,784	-
Cypress Corners L.P.	Limited maturity bond CTF	57,084	-	57,084	-
	Replacement reserve				
Cypress Corners L.P.	Core fixed income CTF	3,053	-	3,053	-
Cypress Corners L.P.	Limited maturity bond CTF	478	-	478	-
Cypress Corners L.P.	Total available-for-sale debt securities	<u>422,399</u>	<u>-</u>	<u>422,399</u>	<u>-</u>
Cypress Corners L.P.	Total assets at fair value	<u>\$ 562,990</u>	<u>\$ -</u>	<u>\$ 562,990</u>	<u>\$ -</u>
	Equity securities				
	Operating reserve				
Cypress Court Associates, L.P.	Value equity CTF	\$ 29,584	\$ -	\$ 29,584	\$ -
Cypress Court Associates, L.P.	Total equity securities	<u>29,584</u>	<u>-</u>	<u>29,584</u>	<u>-</u>
	Available-for-sale debt securities				
	Operating reserve				
Cypress Court Associates, L.P.	Core fixed income CTF	63,273	-	63,273	-
Cypress Court Associates, L.P.	Limited maturity bond CTF	11,004	-	11,004	-
Cypress Court Associates, L.P.	Total available-for-sale debt securities	<u>74,277</u>	<u>-</u>	<u>74,277</u>	<u>-</u>
Cypress Court Associates, L.P.	Total assets at fair value	<u>\$ 103,861</u>	<u>\$ -</u>	<u>\$ 103,861</u>	<u>\$ -</u>

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

Financial assets carried at fair value at June 30, 2022 are classified in the tables below in one of the three categories described above:

Operating Partnership	Description	Fair value at June 30, 2022	Quoted prices in active markets for identical assets/liabilities Level 1	Significant other observable inputs Level 2	Unobservable inputs Level 3
	Equity securities				
	Operating reserve				
Cypress Corners L.P.	Value equity CTF	\$ 118,499	\$ -	\$ 118,499	\$ -
	Replacement reserve				
Cypress Corners L.P.	Value equity CTF	965	-	965	-
Cypress Corners L.P.	Total equity securities	<u>119,464</u>	<u>-</u>	<u>119,464</u>	<u>-</u>
	Available-for-sale debt securities				
	Operating reserve				
Cypress Corners L.P.	Core fixed income CTF	368,410	-	368,410	-
Cypress Corners L.P.	Limited maturity bond CTF	57,330	-	57,330	-
	Replacement reserve				
Cypress Corners L.P.	Core fixed income CTF	3,109	-	3,109	-
Cypress Corners L.P.	Limited maturity bond CTF	480	-	480	-
Cypress Corners L.P.	Total available-for-sale debt securities	<u>429,329</u>	<u>-</u>	<u>429,329</u>	<u>-</u>
Cypress Corners L.P.	Total assets at fair value	<u>\$ 548,793</u>	<u>\$ -</u>	<u>\$ 548,793</u>	<u>\$ -</u>
	Equity securities				
	Operating reserve				
Cypress Court Associates, L.P.	Value equity CTF	\$ 38,108	\$ -	\$ 38,108	\$ -
Cypress Court Associates, L.P.	Total equity securities	<u>38,108</u>	<u>-</u>	<u>38,108</u>	<u>-</u>
	Available-for-sale debt securities				
	Operating reserve				
Cypress Court Associates, L.P.	Core fixed income CTF	113,966	-	113,966	-
Cypress Court Associates, L.P.	Limited maturity bond CTF	17,978	-	17,978	-
Cypress Court Associates, L.P.	Total available-for-sale debt securities	<u>131,944</u>	<u>-</u>	<u>131,944</u>	<u>-</u>
Cypress Court Associates, L.P.	Total assets at fair value	<u>\$ 170,052</u>	<u>\$ -</u>	<u>\$ 170,052</u>	<u>\$ -</u>

The financial assets above are included in restricted deposits and funded reserves on the accompanying consolidated and combined statement of financial position (see Note 3).

Note 11 - Investments in marketable securities

At June 30, 2023, the Organization's investments in debts and equity securities consists of the following:

Operating Partnership	Cost	Unrealized gain (loss)	Fair market value
Cypress Corners L.P.	\$ 128,353	\$ 12,238	\$ 140,591
Cypress Corners L.P.	535,648	(113,249)	422,399
Total	<u>\$ 664,001</u>	<u>\$ (101,011)</u>	<u>\$ 562,990</u>
Operating Partnership	Cost	Unrealized gain (loss)	Fair market value
Cypress Court Associates, L.P.	\$ 26,784	\$ 2,800	\$ 29,584
Cypress Court Associates, L.P.	89,547	(15,270)	74,277
Total	<u>\$ 116,331</u>	<u>\$ (12,470)</u>	<u>\$ 103,861</u>

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

At June 30, 2022, the Organization's investments in debts and equity securities consists of the following:

<u>Operating Partnership</u>		<u>Cost</u>	<u>Unrealized gain (loss)</u>	<u>Fair market value</u>
Cypress Corners L.P.	Equity securities	\$ 128,353	\$ (8,889)	\$ 119,464
Cypress Corners L.P.	Available-for-sale debt securities	<u>535,648</u>	<u>(106,319)</u>	<u>429,329</u>
	Total	<u>\$ 664,001</u>	<u>\$ (115,208)</u>	<u>\$ 548,793</u>

<u>Operating Partnership</u>		<u>Cost</u>	<u>Unrealized gain (loss)</u>	<u>Fair market value</u>
Cypress Court Associates, L.P.	Equity securities	\$ 40,491	\$ (2,383)	\$ 38,108
Cypress Court Associates, L.P.	Available-for-sale debt securities	<u>144,376</u>	<u>(12,432)</u>	<u>131,944</u>
	Total	<u>\$ 184,867</u>	<u>\$ (14,815)</u>	<u>\$ 170,052</u>

At June 30, 2023 and 2022, the Organization's available-for-sale debt securities are invested through a fund created by Neuberger Berman Trust Company ("NBTC"). Investment options of the fund are limited to those provided by NBTC. Information related to the Organization's proportionate share of the cost and fair value of the underlying investments by contractual maturity is not readily available. Management has determined that these disclosures are not material to the users of the financial statements and therefore, the Partnership has omitted these disclosures.

Note 12 - Net assets

Net assets with donor restrictions

Net assets with donor restrictions are available for the following purposes:

	<u>2023</u>	<u>2022</u>
Community center	\$ 309,507	\$ 186,486
Youth and human services	1,340,917	916,403
Housing development and counseling	63,539	121,331
Economic development and community organizing	685,697	320,780
Affordable housing projects	<u>1,226,069</u>	<u>1,226,069</u>
Total net assets with donor restrictions	<u>\$ 3,625,729</u>	<u>\$ 2,771,069</u>

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the donor purposes for the year ended June 30, 2023 and 2022 was \$2,989,691 and \$2,616,898, respectively.

Note 13 - Operating and finance leases

On July 1, 2022, CHLDC adopted ASC 842, *Leases*, as described in Note 1. CHLDC leases office space under noncancellable operating leases as well as office equipment under noncancellable finance leases. CHLDC recognizes operating and finance lease liabilities, which is measured at the present value of future lease payments, and a corresponding operating and finance lease asset equal to the lease liability, adjusted for prepaid lease costs, initial direct costs and lease incentives. For accounting purposes, a lease commences on the earlier of (i) the date upon which the organization obtains control of the underlying asset and (ii) the contractual effective date of a lease.

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

Lease commencement for most of CHLDC's leases coincides with the contractual effective date. CHLDC uses the risk-free rate to calculate the present value of lease payments because the leases do not have readily determinable implicit discount rates. CHLDC has elected and applies the practical expedient available to lessees to combine nonlease components with their related lease components and account for them as a single combined lease component for all its leases. CHLDC remeasures lease liabilities and related right-of-use assets wherever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such modification does not qualify to be accounted for as a separate contract.

Lease expenses for operating leases continue to be recognized on a straight-line basis over the term of the lease under ASC 842.

CHLDC entered into a noncancelable operating lease for office space at 625 Jamaica Avenue that expires on October 31, 2024. Monthly rental payments are subject to annual increases.

CHLDC entered into a noncancelable operating lease for office space at 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. In February 2022, CHLDC executed a 3-year renewal through February 2025.

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. This lease was terminated effective February 28, 2023.
- CHLDC entered into a noncancelable operating lease with Cypress Homes HDFC for office space at 2966 Fulton Street that expires on August 31, 2023. Monthly rental payments are subject to annual increases. This lease transaction has been eliminated in the consolidation and is not included in the future minimum payments below.
- CHLDC entered into a noncancelable operating lease with Cypress Plaza Group LP for office space at 2810 Fulton Street that expires on February 29, 2024. Monthly rental payments are subject to annual increases.
- CHLDC entered into a noncancelable operating lease agreement with Cypress Pitkin-Berriman LP for office space. The lease expires April 30, 2049. Monthly rental payments are subject to annual increases.
- CHLDC entered into a noncancelable operating lease agreement with CCDC for office space. The lease expires June 30, 2052. Monthly rental payments are subject to annual increases.

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

**Notes to Consolidated and Combined Financial Statements
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- Child Care's has a lease for office space located at 3295 Fulton Street that expires on October 1, 2024. Monthly rent payments are fixed.
- Child Care's day care center is leased under a twenty-year lease located at 108 Pine Street. The lease expires on July 31, 2037. Monthly rental payments are subject to annual increases. Child Care is discussing a lease extension as of the report date.

The Organization's rent expense for the year ended June 30, 2023 and 2022 was \$835,085 and \$274,889, respectively.

Future minimum payments for the next five years and thereafter are as follows:

2024	\$	836,279
2025		723,078
2026		669,567
2027		673,645
2028		657,769
Thereafter		<u>19,108,535</u>
Total minimum lease payments		22,668,873
Less: imputed interest		<u>(8,009,172)</u>
Total operating lease liabilities		14,659,701
Less: deferred rent		<u>(594,120)</u>
Total operating right-of-use assets	\$	<u><u>14,065,581</u></u>

Weighted-average remaining lease term and discount rate for finance leases were as follows:

<u>Year ending June 30, 2023</u>	<u>Operating leases</u>
Weighted average remaining terms	28.01 years
Weighted average discount rate	3.14%

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

**Notes to Consolidated and Combined Financial Statements
June 30, 2023 and 2022**

The Organization leases office equipment under noncancelable finance lease agreements which expire at various dates through July 2028. Equipment rental expense for the year ended June 30, 2023 was \$107,587. Interest expense on equipment rental for the year ended June 30, 2023 was \$5,009. Future minimum payments for the next five years and thereafter are as follows:

2024	\$	45,725
2025		43,643
2026		41,651
2027		38,864
2028		11,333
Thereafter		-
Total minimum lease payments		181,216
Less: imputed interest		(7,844)
Total finance lease liabilities		173,372
Less: deferred rent		-
Total finance right-of-use asset		\$ 173,372

Weighted-average remaining lease term and discount rate for finance leases were as follows:

Year ending June 30, 2023	Finance leases
Weighted average remaining terms	4.20 years
Weighted average discount rate	2.88%

Note 14 - Rental income

The Organization receives rental income from four leases for use of their facilities. The leases expire on various dates through February 2034. Minimum rental income is due as follows:

2024	\$	337,507
2025		264,348
2026		269,783
2027		231,673
2028		201,012
Thereafter		1,182,860
Total	\$	2,487,183

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

**Notes to Consolidated and Combined Financial Statements
June 30, 2023 and 2022**

Note 15 - Significant estimates and concentrations

Current vulnerability due to certain concentrations

The Organization sponsors or holds interest in multiple apartment projects. The project's operations are concentrated in the multifamily real estate market located in Brooklyn, New York. In addition, the projects operate in a heavily regulated environment. The operations of the projects are subject to the administrative directives, rules and regulations of federal agencies, including, but not limited to, HUD. Such administrative directives, rules and regulations are subject to change by an act of Congress, or an administrative change mandated by HUD. Such changes may occur with little notice or inadequate funding to pay for the related cost, including the additional administrative burden, to comply with a change.

Revenues and receivables

The majority of the Organization's government grants are funded through New York State and New York City government programs. The net receivables and revenues from New York City and New York State as of and for the years ended June 30, 2023 and 2022 are as follows:

	June 30, 2023 Receivables	June 30, 2023 Revenue
New York City	\$ 4,771,880	\$ 14,088,014
New York State	1,367,517	2,695,161
Other	338,879	759,839
	<u>\$ 6,478,275</u>	<u>\$ 17,543,013</u>
	June 30, 2022 Receivables	June 30, 2022 Revenue
New York City	\$ 3,546,540	\$ 12,597,421
New York State	822,167	1,530,411
Other	192,065	193,313
	<u>\$ 4,560,772</u>	<u>\$ 14,321,145</u>

Note 16 - Pension plan

The Organization has a Section 403(b) retirement plan covering all full-time employees after one year of service. The Organization may match the employees' contribution up to a maximum limit, as determined on an annual basis. Pension expense for the years ended June 30, 2023 and 2022 was \$171,207 and \$114,948, respectively.

Note 17 - Concentration of credit risk

The Organization maintains its cash balances in several accounts in various banks. At times, these balances may exceed the federal insurance limits; however, the Organization and its subsidiaries have not experienced any losses with respect to their bank balances in excess of government

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

provided insurance. Management believes that no significant concentration of credit risk exists with respect to these cash balances at June 30, 2023.

Note 18 - Commitments and contingencies

Litigation

Cypress is a defendant in various legal actions arising in the normal course of its operations. The final outcome of such actions cannot be determined at this time. Eventual liability, if any, is likely to be covered by insurance except where the applicable insurance policies expressly exclude certain coverage which arguably relates to the claims.

Guarantees

The Organization has provided various guarantees to its affiliates in connection with the development of real estate. These guarantees are as follows:

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

- Cypress Homes HDFC for the benefit of M&T Bank. The maximum value of the loan is \$361,000. At June 30, 2023 and 2022, the balance was \$245,101 and 256,936, respectively.
- 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, 2023 and 2022, the balance was \$1,168,908.
- 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, 2023 and 2022, the balance was \$102,853 and \$188,618, respectively.

CHLDC has entered into two joint ventures to develop affordable housing: Chestnut Commons Development Corporation ("CCDC") and New Construction Program and New In-Full Homeownership Opportunities Program ("NCP and NIHOP"). The following is the status of the two projects:

As of June 30, 2021, the CCDC was in pre-development and one of CHLDC's partners had expended funds towards this project, of which CHLDC is a guarantor of approximately \$460,000. As of June 30, 2023, CHLDC has not made any contributions towards this project. These costs are expected to be reimbursed by the limited partnership when the project is in development. CHLDC will be a 30 percent owner of CCDC. As of June 30, 2020, the CCDC has closed on construction financing and has begun construction. The CCDC closed on construction financing in late December of 2019, and construction began in January of 2020. Upon commencement of construction, all outstanding pre-development expenses were paid. As of June 30, 2023, CHLDC has not made any contributions towards this project.

As of June 30, 2023 the NCP and NIHOP was in pre-development and one of CHLDC's partners has expended funds towards this project, of which CHLDC is a guarantor for 50 percent of these costs which approximates \$585,000 and \$330,000, respectively. As of June 30, 2023 and 2022, CHLDC has funded \$250,000 and \$250,000, respectively, towards this project. These costs are expected to be reimbursed by the limited partnership when the project is in development. CHLDC will be a 50 percent owner of NCP and NIHOP.

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

The Organization has provided various guarantees to its affiliates in connection with the development of real estate. These guarantees are as follows:

Tax credit guarantees

Certain affiliated real estate entities have been awarded low-income housing tax credits which are contingent on their ability to maintain compliance with applicable sections of IRC Section 42. Failure to maintain compliance with tenant income eligibility and rent limits or to correct instances of noncompliance within a reasonable time period could result in recapture of previously claimed tax credits plus interest. In addition, any such noncompliance, if it were to occur, likely would result in an adjustment to the contributed capital by the respective investor limited partners/investor members.

Operating deficit guarantees

Certain affiliated real estate entities, pursuant to their partnership and operating agreements, have agreed to fund operating deficits, as defined, in the amount up to \$1,109,655. Generally, once the project has achieved certain benchmarks, as defined, including the period through which the general partner/managing member is required to fund operating deficits, the guaranty shall expire. As of June 30, 2023 and 2022, no operating deficits have been required to be funded.

Construction completion guarantees

Certain affiliated real estate entities, pursuant to their partnership and operating agreements, have agreed to fund any development deficits, as defined in their respective agreements. Any funding required may be repaid without interest upon development sources being available for such payment. As of June 30, 2023 and 2022, no construction completion guaranty has been required to be funded.

Note 19 - Consolidated and combined statement of cash flows

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the consolidated and combined statement of financial position that sum to the total of the same such amounts in the consolidated and combined statement of cash flows:

	<u>2023</u>	<u>2022</u>
Cash	\$ 3,488,679	\$ 4,702,397
Security deposits held in trust	<u>203,609</u>	<u>208,518</u>
Total cash and restricted cash on the consolidated and combined statement of cash flows	<u>\$ 3,692,288</u>	<u>\$ 4,910,915</u>

The amount included in restricted cash consists of security deposits held in trust for the future benefit of tenants upon moving out of the property as required by the regulatory authorities.

Note 20 - Paycheck Protection Program

In response to the coronavirus ("COVID-19") outbreak in 2020, the U.S. Federal Government enacted the Coronavirus Aid, Relief, and Economic Security Act that, among other economic stimulus measures, established the Paycheck Protection Program ("PPP") administered by the U.S. Small Business Administration (the "SBA") to provide small business loans. During 2020, CHLDC

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

Notes to Consolidated and Combined Financial Statements June 30, 2023 and 2022

obtained a PPP loan in the amount of \$2,302,739. During 2022, the Organization received forgiveness of the PPP financing of the full amount which is recognized as revenue on the accompanying consolidated and combined statements of activities. There is a six-year period during which the SBA can review the Company's forgiveness calculation.

Note 21 – Contributed nonfinancial assets

Contributed nonfinancial assets consist of donated professional fees. CHLDC recognized revenue and related expense for contributed nonfinancial assets received from donated professional fees that require specialized skills. Such services are specialized skill that are provided by individuals possessing those skills and would typically need to be purchased if not provide by donation. CHLDC measured professional services are valued based on the amount CHLDC would have paid for the services, net of discounts. These services were allocated between program and management and general purposes and were considered without donor restrictions. For the years ended June 30, 2023 and 2022 CHLDC received contributions of donated professional fees in the amount of \$544,091 and \$0, respectively, which is included in professional services and consultants on the consolidated statement of functional expense. CHLDC also received donated classroom supplies valued at \$78,780 and \$51,581, respectively, which is included in office supplies on the consolidated statement of functional expenses.

Note 22 - Subsequent events

Events that occur after the statement of financial position date but before the consolidated and combined financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the consolidated and combined statement of financial position date are recognized in the accompanying consolidated and combined financial statements. Subsequent events which provide evidence about conditions that existed after the consolidated and combined statement of financial position date, require disclosure in the accompanying notes. Management evaluated the activity of the Organization through August 9, 2024 (the date the consolidated and combined financial statements were available to be issued) and concluded that other than the subsequent event discussed below, no subsequent events have occurred that would require recognition in the consolidated and combined financial statements or disclosure in the notes to the financial statements.

On July 1, 2024, CHLDC merged with United Community Centers. The merger was approved by the New York State Attorney General.

In February 2024, CHLDC received a one time without donor restriction grant of \$8M from National Philanthropic Trust (“NPT”). The gift came through the NPT at the request of MacKenzie Scott and her giving arm, YieldGiving. CHLDC’s Board of Directors has designated \$1.6M of that gift for a Board Designated Operating/Working Capital Reserve to support cash flow needs of the organization and \$2.5M of the contribution for a Board Designated Investment Fund to support the agency’s strategic priorities and to act as a rainy-day fund.

In March 2024, The CHLDC Board of Directors passed a resolution to lend \$1,259,154 to CHLDC’s affiliated housing subsidiaries and limited partnerships for the purposes of paying essential vendors, staying current on mortgage payments and making repairs in its affordable housing portfolio.

Supplementary Information

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

Supplementary Information

Consolidating Statement of Financial Position June 30, 2023

	Cypress Hills Local Development Corporation	Cypress Hills Child Care Corporation	Housing Entities	Eliminations	Total
Assets					
Cash	\$ 1,789,102	\$ 1,038,383	\$ 661,194	\$ -	\$ 3,488,679
Accounts receivable, net	141,874	-	531,534	-	673,408
Loans receivable	8,916,800	-	-	(8,916,800)	-
Receivables from related parties	4,890,149	-	143,072	(1,642,268)	3,390,953
Other receivables	216,549	7	117,040	-	333,596
Government grant receivable, net	6,234,679	243,596	-	-	6,478,275
Prepaid expenses	8,917	12,973	152,098	-	173,988
Restricted deposits and funded reserves	-	-	2,687,882	-	2,687,882
Tenant deposits held in trust	2,117	2,000	199,492	-	203,609
Utility deposits	117,898	-	34,493	-	152,391
Operating right-of-use assets	13,233,925	831,656	-	-	14,065,581
Finance right-of-use assets	173,372	-	-	-	173,372
Other intangibles, net	-	-	106,531	-	106,531
Fixed assets, net	1,440,224	2,514,861	61,735,514	-	65,690,599
Other noncurrent assets	42,154	-	-	-	42,154
Total assets	\$ 37,207,760	\$ 4,643,476	\$ 66,368,850	\$ (10,559,068)	\$ 97,661,018
Liabilities and Net Assets					
Liabilities					
Accounts payable	562,522	\$ 73,816	\$ 1,814,353	\$ (47,728)	\$ 2,402,963
Accrued expenses	968,928	207,743	634,082	-	1,810,753
Accrued interest payable	-	-	2,753,017	(360,354)	2,392,663
Deferred grant revenue	760,329	41,160	-	-	801,489
Tenant deposits held in trust	46,000	-	195,697	-	241,697
Accrued construction costs	-	-	302,850	(252,850)	50,000
Developer fee payable	-	-	1,705,108	(1,705,108)	-
Asset management fees payable	-	-	66,780	-	66,780
Due to related parties and affiliates	3,000	664,279	1,303,242	(1,970,521)	-
Unearned rent	-	-	6,563	-	6,563
Operating lease liabilities	13,814,084	845,617	-	-	14,659,701
Finance lease liabilities	173,372	-	-	-	173,372
Mortgages and loans payable, net of unamortized debt issuance cost	9,470,836	1,438,407	45,105,435	(9,199,060)	46,815,618
Total liabilities	25,799,071	3,271,022	53,887,127	(13,535,621)	69,421,599
Net assets					
Without donor restrictions - controlling	9,009,029	1,372,454	(2,797,269)	2,976,553	10,560,767
Without donor restrictions - noncontrolling	-	-	14,052,923	-	14,052,923
With donor restrictions	2,399,660	-	1,226,069	-	3,625,729
Total net assets	11,408,689	1,372,454	12,481,723	2,976,553	28,239,419
Total liabilities and net assets	\$ 37,207,760	\$ 4,643,476	\$ 66,368,850	\$ (10,559,068)	\$ 97,661,018

See Independent Auditor's Report.

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

Supplementary Information

Consolidating Statement of Activities Year Ended June 30, 2023

	Cypress Hills Local Development Corporation	Cypress Hills Child Care Corporation	Housing Entities	Eliminations	Total
Revenue and Support					
Tenant rent and other charges, net of vacancies	\$ 408,536	\$ -	\$ 3,707,750	\$ (310,789)	\$ 3,805,497
Government contracts and grants	14,079,533	3,454,480	-	-	17,534,013
Contributions	4,349,786	345,860	-	-	4,695,646
In-kind contributions	544,091	78,780	-	-	622,871
Management fees	10,100	16,294	-	(10,100)	16,294
Social service fees	10,000	-	-	-	10,000
Contract service fees	710,686	-	-	-	710,686
Special events	176,044	1,875	-	-	177,919
Interest income	-	-	12,351	-	12,351
Investment income	-	317	21,483	-	21,800
Other income	191,332	114,844	23,786	-	329,962
Total Revenue	20,480,108	4,012,450	3,765,370	(320,889)	27,937,039
Expenses					
Salaries	11,812,410	1,908,901	428,677	-	14,149,988
Payroll taxes and employee benefits	2,292,614	397,943	67,343	-	2,757,900
Office expense	1,368,986	968,918	112,032	-	2,449,936
Equipment rental and maintenance	206,379	38,026	880	-	245,285
Management fees	-	-	279,340	(72,549)	206,791
Rent expense	998,734	127,877	-	(291,526)	835,085
Utilities expense	110,028	27,911	925,851	-	1,063,790
Legal fees	-	-	8,016	-	8,016
Professional services and consultants	1,877,839	67,582	168,037	-	2,113,458
Building repair and maintenance	101,024	66,434	908,414	-	1,075,872
Real estate taxes	-	-	141,239	-	141,239
Insurance expense	266,292	36,585	442,713	-	745,590
Other taxes, licenses and insurance	17,667	-	11,056	-	28,723
Interest expense	8,495	-	938,250	(170,992)	775,753
Advertising	15,320	-	23,799	-	39,119
Youth events and activities	268,428	80,683	-	-	349,111
Depreciation and amortization	112,576	14,708	2,528,650	-	2,655,934
Bad debt	-	-	335,138	-	335,138
Miscellaneous financing fees	7,798	3,621	35,046	-	46,465
Other miscellaneous expense	249,447	50,173	30,160	(53,773)	276,007
Total expenses	19,714,037	3,789,362	7,384,641	(588,840)	30,299,200
Change in net assets	766,071	223,088	(3,619,271)	267,951	(2,362,161)
Net assets, beginning	10,642,618	1,149,366	16,100,994	2,708,602	30,601,580
Net assets, end	\$ 11,408,689	\$ 1,372,454	\$ 12,481,723	\$ 2,976,553	\$ 28,239,419

See Independent Auditor's Report.

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

Supplementary Information

**Combining Statement of Financial Position - Housing Entities
Year Ended June 30, 2023**

	Arlington Apartments Housing Development Fund Corporation	Cypress Homes Housing Development Fund Corporation	Cypress West Housing Development Fund Corporation	Cypress Village Limited Partnership	Cypress Court Associates L.P.	Cypress Corners L.P.	Cypress Plaza Group	Cypress Hills Senior Housing LP	Cypress Pitkin Berriman	Total - Housing Entities
Assets										
Cash	\$ 62,502	\$ 6,103	\$ 46,095	\$ 23,420	\$ 43,832	\$ 3,256	\$ 316,955	\$ 110,052	\$ 48,979	\$ 661,194
Accounts receivable, net	42,184	29,945	47,563	87,630	89,519	53,512	31,895	16,553	132,733	531,534
Receivables from related parties	419	583	98,610	8,580	24,917	-	9,963	-	-	143,072
Other receivables	-	-	-	19,710	-	100	-	860	96,370	117,040
Prepaid expenses	9,659	4,690	15,945	15,050	33,634	14,243	11,464	18,647	28,766	152,098
Restricted deposits and funded reserves	20,234	8,913	276,543	186,547	103,861	562,990	163,658	746,121	619,015	2,687,882
Tenant deposits held in trust	8,939	6,759	22,260	18,490	39,467	8,847	29,358	15,868	49,504	199,492
Utility deposits	1,147	525	2,240	15,700	2,355	6,017	3,759	2,750	-	34,493
Other intangibles, net	-	-	-	18,908	-	-	-	42,960	44,663	106,531
Fixed assets, net	733,941	753,634	1,275,938	9,455,410	1,034,391	2,624,567	4,239,754	17,668,562	23,949,317	61,735,514
Total assets	\$ 879,025	\$ 811,152	\$ 1,785,194	\$ 9,849,445	\$ 1,371,976	\$ 3,273,532	\$ 4,806,806	\$ 18,622,373	\$ 24,969,347	\$ 66,368,850
Liabilities and Net Assets										
Liabilities										
Accounts payable	\$ 283,140	\$ 177,443	\$ 71,918	\$ 332,711	\$ 461,301	\$ 117,359	\$ 1,982	\$ 235,373	\$ 133,126	\$ 1,814,353
Accrued expenses	96,728	97,507	65,600	10,204	94,160	44,679	26,617	124,070	74,517	634,082
Accrued interest payable	919,551	4,113	-	3,860	-	-	212,150	117,103	1,496,240	2,753,017
Tenant deposits held in trust	8,939	6,759	22,260	18,490	39,467	8,847	29,358	15,179	46,398	195,697
Accrued construction costs	-	-	-	-	-	-	252,850	-	50,000	302,850
Developer fee payable	-	-	-	336,660	-	-	-	-	1,368,448	1,705,108
Asset management fees payable	-	-	-	36,510	-	-	30,270	-	-	66,780
Due to related parties and affiliates	13,114	419,600	85,570	202,880	302,544	256,914	17,120	1,960	3,540	1,303,242
Unearned and deferred rent	-	-	-	-	-	-	-	6,563	-	6,563
Mortgages and loans payable, net of unamortized debt issuance cost	340,573	556,668	2,681,077	5,291,208	5,319,553	3,206,130	3,337,912	11,660,007	12,712,307	45,105,435
Total liabilities	1,662,045	1,262,090	2,926,425	6,232,523	6,217,025	3,633,929	3,908,259	12,160,255	15,884,576	53,887,127
Net assets										
Without donor restrictions - controlling	(2,009,089)	(450,938)	(1,141,231)	331,986	(96,812)	(150)	(128)	569,537	(444)	\$ (2,797,269)
Without donor restrictions - noncontrolling	-	-	-	3,284,936	(4,748,237)	(360,247)	898,675	5,892,581	9,085,215	14,052,923
With donor restrictions	1,226,069	-	-	-	-	-	-	-	-	1,226,069
Total net assets	(783,020)	(450,938)	(1,141,231)	3,616,922	(4,845,049)	(360,397)	898,547	6,462,118	9,084,771	12,481,723
Total liabilities and net assets	\$ 879,025	\$ 811,152	\$ 1,785,194	\$ 9,849,445	\$ 1,371,976	\$ 3,273,532	\$ 4,806,806	\$ 18,622,373	\$ 24,969,347	\$ 66,368,850

See Independent Auditor's Report.

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

Supplementary Information

**Combining Statement of Activities - Housing Entities
Year Ended June 30, 2023**

	Arlington Apartments Housing Development Fund Corporation	Cypress Homes Housing Development Fund Corporation	Cypress West Housing Development Fund Corporation	Cypress Village Limited Partnership	Cypress Court Associates L.P.	Cypress Corners L.P.	Cypress Plaza Group	Cypress Hills Senior Housing LP	Cypress Pitkin Berriman	Total
Revenue and Support										
Tenant rent and other charges, net of vacancies	\$ 235,987	\$ 101,400	\$ 384,647	\$ 335,910	\$ 633,834	\$ 264,983	\$ 305,543	\$ 624,735	\$ 820,711	\$ 3,707,750
Interest income	154	-	786	290	86	-	1,267	9,707	61	12,351
Investment income	-	-	1,121	193	2,713	14,311	3,145	-	-	21,483
Other income	150	-	2,260	6,120	3,466	220	25	2,802	8,743	23,786
Total Revenue	236,291	101,400	388,814	342,513	640,099	279,514	309,980	637,244	829,515	3,765,370
Expenses										
Salaries	\$ 9,330	\$ 2,799	\$ 16,794	\$ 12,130	\$ 29,855	\$ 12,129	\$ 10,263	\$ 314,608	\$ 20,769	\$ 428,677
Payroll taxes and employee benefits	-	-	308	-	11,088	-	-	29,318	26,629	67,343
Office expense	2,920	866	9,815	6,310	23,838	7,582	11,872	23,272	25,557	112,032
Equipment rental and maintenance	48	-	96	-	160	16	-	560	-	880
Management fees	12,950	3,843	21,615	34,790	65,840	31,603	33,704	40,629	34,366	279,340
Utilities expense	68,029	22,739	156,034	109,610	195,086	86,744	58,200	123,827	105,582	925,851
Legal fees	-	-	-	3,000	4,226	-	-	790	-	8,016
Professional services and consultants	13,345	9,486	13,735	21,200	30,933	25,864	17,866	10,565	25,043	168,037
Building repair and maintenance	51,519	25,878	102,332	101,780	303,955	127,821	75,273	27,483	92,373	908,414
Real estate taxes	85,872	24,934	-	-	29,235	1,198	-	-	-	141,239
Insurance expense	29,400	5,803	49,795	37,150	94,705	41,781	30,714	69,152	84,213	442,713
Other taxes, licenses and insurance	313	498	149	1,940	4,512	993	643	1,864	144	11,056
Interest expense	41,590	14,963	3,261	46,690	15,633	20,525	67,145	31,428	697,015	938,250
Advertising	293	80	519	320	843	372	574	10,260	10,538	23,799
Depreciation and amortization	50,616	26,986	93,667	514,179	273,813	117,184	166,288	548,777	737,140	2,528,650
Bad debt (recovery)	29,980	45,927	40,883	48,330	64,923	40,635	(6,989)	-	71,449	335,138
Miscellaneous financing fees	569	554	1,887	1,640	2,981	962	884	540	25,029	35,046
Other miscellaneous expense	1,701	368	308	3,851	15,874	2,730	1,354	2,485	1,489	30,160
Total expenses	\$ 398,475	\$ 185,724	\$ 511,198	\$ 942,920	\$ 1,167,500	\$ 518,139	\$ 467,791	\$ 1,235,558	\$ 1,957,336	7,384,641
Change in net assets	\$ (162,184)	\$ (84,324)	\$ (122,384)	\$ (600,407)	\$ (527,401)	\$ (238,625)	\$ (157,811)	\$ (598,314)	\$ (1,127,821)	(3,619,271)
Net assets, beginning	(620,836)	(366,614)	(1,018,847)	4,217,329	(4,317,648)	(121,772)	1,056,358	7,060,432	10,212,592	16,100,994
Net assets, end	\$ (783,020)	\$ (450,938)	\$ (1,141,231)	\$ 3,616,922	\$ (4,845,049)	\$ (360,397)	\$ 898,547	\$ 6,462,118	\$ 9,084,771	\$ 12,481,723

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