



West Harlem Development Corporation
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**Consolidated Financial Statements
with Supplementary Information**

For the years ended December 31, 2019 and 2018

WEST HARLEM DEVELOPMENT CORPORATION
Consolidated Financial Statements
December 31, 2019 and 2018

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Independent Auditors' Report

To the Board of Directors of
West Harlem Development Corporation
New York, New York

We have audited the accompanying consolidated financial statements of West Harlem Development Corporation (a nonprofit organization) and affiliates, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of West Harlem Development Corporation and affiliates as of December 31, 2019 and 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information on pages 21-22 is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

NCheng LLP

New York, NY
May 15, 2020

WEST HARLEM DEVELOPMENT CORPORATION
Consolidated Statements of Financial Position
As of December 31,

| | <u>2019</u> | <u>2018</u> |
|--|----------------------|----------------------|
| <u>Assets</u> | | |
| Current assets | | |
| Cash and cash equivalents - note 5 | \$ 628,498 | \$ 599,660 |
| Investments - note 4 | 25,674,955 | 23,109,557 |
| Benefits fund receivable - note 8 | 6,000,000 | 6,000,000 |
| Accrued interest - note 9 | 41,667 | - |
| Prepaid expenses | <u>10,878</u> | <u>3,993</u> |
| Total current assets | <u>32,355,998</u> | <u>29,713,210</u> |
| Non-current assets | | |
| Benefits fund receivable, net of discount of \$2,080,243 in 2019 and \$2,672,971 in 2018 - note 8 | 28,669,757 | 34,077,029 |
| Convertible note receivable - note 9 | 2,000,000 | - |
| Other assets – deposit | <u>20,227</u> | <u>20,328</u> |
| Total non-current assets | <u>30,689,984</u> | <u>34,097,357</u> |
| Total assets | <u>\$ 63,045,982</u> | <u>\$ 63,810,567</u> |
| <u>Liabilities and Net Assets</u> | | |
| Current liabilities | | |
| Accounts payable and accrued expenses | \$ 56,774 | \$ 80,591 |
| Grants payable | <u>648,403</u> | <u>1,243,503</u> |
| Total current liabilities | 705,177 | 1,324,094 |
| Net assets | <u>62,340,805</u> | <u>62,486,473</u> |
| Total liabilities and net assets | <u>\$ 63,045,982</u> | <u>\$ 63,810,567</u> |

The accompanying notes are an integral part of these consolidated financial statements.

WEST HARLEM DEVELOPMENT CORPORATION
Consolidated Statement of Activities
For the year ended December 31, 2019

| | Without Donor <u>Restrictions</u> | With Donor <u>Restrictions</u> | <u>Total</u> |
|---|---|-----------------------------------|--------------------------|
| Support | | | |
| Contributions | \$ - | \$ 6,050 | \$ 6,050 |
| Interest and dividends | - | 627,443 | 627,443 |
| In-kind - note 10 | - | 466,268 | 466,268 |
| Net unrealized gain | - | 1,429,025 | 1,429,025 |
| Adjustment for receivable discount | - | 592,728 | 592,728 |
| Net assets released from restrictions | <u>3,267,182</u> | <u>(3,267,182)</u> | <u>-</u> |
| Total support and use of net assets | <u>3,267,182</u> | <u>(145,668)</u> | <u>3,121,514</u> |
| Expenses | | | |
| Program services | 2,951,950 | - | 2,951,950 |
| Management and general | 220,021 | - | 220,021 |
| Fundraising | <u>95,211</u> | <u>-</u> | <u>95,211</u> |
| Total expenses | <u>3,267,182</u> | <u>-</u> | <u>3,267,182</u> |
| Change in net assets | - | (145,668) | (145,668) |
| Net assets, beginning of year | <u>-</u> | <u>62,486,473</u> | <u>62,486,473</u> |
| Net assets, end of year | <u>\$ -</u> | <u>\$ 62,340,805</u> | <u>\$ 62,340,805</u> |

The accompanying notes are an integral part of these consolidated financial statements.

WEST HARLEM DEVELOPMENT CORPORATION
Consolidated Statement of Activities
For the year ended December 31, 2018

| | Without Donor Restrictions | With Donor Restrictions | Total |
|---------------------------------------|----------------------------------|----------------------------|----------------------|
| Support | | | |
| Contributions | \$ - | \$ 2,925 | \$ 2,925 |
| Interest and dividends | - | 407,295 | 407,295 |
| In-kind - Note 10 | - | 105,424 | 105,424 |
| Net unrealized loss | - | (295,909) | (295,909) |
| Adjustment for receivable discount | - | 1,760,528 | 1,760,528 |
| Net assets released from restrictions | <u>2,987,228</u> | <u>(2,987,228)</u> | <u>-</u> |
| Total support and use of net assets | <u>2,987,228</u> | <u>(1,006,965)</u> | <u>1,980,263</u> |
| Expenses | | | |
| Program services | 2,699,933 | - | 2,699,933 |
| Management and general | 253,350 | - | 253,350 |
| Fund raising | <u>33,945</u> | <u>-</u> | <u>33,945</u> |
| Total expenses | <u>2,987,228</u> | <u>-</u> | <u>2,987,228</u> |
| Change in net assets | - | (1,006,965) | (1,006,965) |
| Net assets, beginning of year | <u>-</u> | <u>63,493,438</u> | <u>63,493,438</u> |
| Net assets, end of year | <u>\$ -</u> | <u>\$ 62,486,473</u> | <u>\$ 62,486,473</u> |

The accompanying notes are an integral part of these consolidated financial statements.

WEST HARLEM DEVELOPMENT CORPORATION

Consolidated Statement of Functional Expenses

For the year ended December 31, 2019

| | Grants & Community Services | Direct Youth Services | Direct Senior Services | Direct Workforce Development Services | Total Program services | Management and general | Fund raising | Total |
|--|-----------------------------------|--------------------------|------------------------------|--|------------------------------|---------------------------|------------------|---------------------|
| Grants to nonprofits | \$ 765,897 | \$ 17,435 | \$ - | \$ - | \$ 783,332 | \$ - | \$ - | \$ 783,332 |
| Personnel expenses | 390,648 | 294,900 | 194,997 | 261,992 | 1,142,537 | 177,057 | 76,619 | 1,396,213 |
| Professional consultants, including in-kind (note 10) | 69,067 | 124,391 | 5,186 | 227,834 | 426,478 | 9,203 | 3,982 | 439,663 |
| Occupancy costs, including in- kind (note 10) | 46,609 | 12,283 | - | 65,106 | 123,998 | 21,125 | 9,142 | 154,265 |
| Equipment lease & licenses | 1,977 | - | - | 10,321 | 12,298 | 896 | 388 | 13,582 |
| Community & Grantee meetings, including in-kind (note 10) | 342,440 | 22,650 | - | - | 365,090 | - | - | 365,090 |
| Technical assistance to grantees | 27,970 | - | - | - | 27,970 | - | - | 27,970 |
| Conferences & meetings | 3,759 | 1,129 | - | 2,098 | 6,986 | 1,704 | 737 | 9,427 |
| Telecommunication & postage | 5,637 | - | - | 5,199 | 10,836 | 2,555 | 1,106 | 14,497 |
| Office supplies & copying | 8,521 | 13,956 | 1,178 | 14,738 | 38,393 | 3,862 | 1,671 | 43,926 |
| Liability insurance | 7,021 | - | - | 2,640 | 9,661 | 3,182 | 1,377 | 14,220 |
| Fees & other expenses | 3,759 | - | - | 612 | 4,371 | 437 | 189 | 4,997 |
| | <u>\$ 1,673,305</u> | <u>\$ 486,744</u> | <u>\$ 201,361</u> | <u>\$ 590,540</u> | <u>\$ 2,951,950</u> | <u>\$ 220,021</u> | <u>\$ 95,211</u> | <u>\$ 3,267,182</u> |

The accompanying notes are an integral part of these consolidated financial statements.

WEST HARLEM DEVELOPMENT CORPORATION

Consolidated Statement of Functional Expenses

For the year ended December 31, 2018

| | Grants & Community Services | Direct Youth Services | Direct Senior Services | Direct Workforce Development Services | Total Program services | Management and general | Fund raising | Total |
|--|-----------------------------------|--------------------------|------------------------------|--|------------------------------|---------------------------|------------------|---------------------|
| Grants to nonprofits | \$ 1,118,628 | \$ - | \$ - | \$ - | \$ 1,118,628 | \$ - | \$ - | \$ 1,118,628 |
| Personnel expenses | 505,432 | 283,525 | 208,159 | 118,740 | 1,115,856 | 163,101 | 23,533 | 1,302,490 |
| Professional consultants, including in-kind (note 10) | 23,279 | 124,485 | - | 21,040 | 168,804 | 25,612 | 1,083 | 195,499 |
| Occupancy costs, including in- kind (note 10) | 108,985 | 14,335 | - | 23,009 | 146,329 | 35,169 | 5,074 | 186,572 |
| Equipment lease & licenses | 7,810 | - | - | 1,133 | 8,943 | 2,520 | 364 | 11,827 |
| Community & Grantee meetings, including in-kind (note 10) | 43,709 | 7,011 | 1,391 | 992 | 53,103 | 14,105 | 2,035 | 69,243 |
| Technical assistance to grantees | 21,000 | - | - | - | 21,000 | - | - | 21,000 |
| Conferences & meetings | 4,733 | - | - | - | 4,733 | 1,527 | 220 | 6,480 |
| Telecommunication & postage | 10,647 | 296 | - | 3,380 | 14,323 | 3,436 | 496 | 18,255 |
| Office supplies & copying | 12,366 | 14,900 | 222 | 8,305 | 35,793 | 3,991 | 576 | 40,360 |
| Liability insurance | 10,300 | - | - | - | 10,300 | 3,324 | 480 | 14,104 |
| Fees & other expenses | 1,751 | 120 | - | 250 | 2,121 | 565 | 84 | 2,770 |
| | <u>\$ 1,868,640</u> | <u>\$ 444,672</u> | <u>\$ 209,772</u> | <u>\$ 176,849</u> | <u>\$ 2,699,933</u> | <u>\$ 253,350</u> | <u>\$ 33,945</u> | <u>\$ 2,987,228</u> |

The accompanying notes are an integral part of these consolidated financial statements.

WEST HARLEM DEVELOPMENT CORPORATION
Consolidated Statements of Cash Flows
For the years ended December 31,

| | <u>2019</u> | <u>2018</u> |
|--|--------------------|--------------------|
| Cash flows from operating activities | | |
| Change in net assets | \$ (145,668) | \$ (1,006,965) |
| Adjustment to reconcile change in net assets to net cash provided by operating activities: | | |
| Net realized and unrealized (gain)/loss | (1,429,025) | 295,909 |
| Change in benefits fund receivable | 5,407,272 | 4,239,473 |
| Change in loan receivable | (2,000,000) | - |
| Change in prepaid expenses | (6,885) | 420 |
| Change in deposits | (101) | (1,135) |
| Change in grants payable | (595,100) | (445,390) |
| Change in accounts payable and accrued liabilities | <u>(23,817)</u> | <u>(14,961)</u> |
| Net cash provided by operating activities | 1,206,676 | 3,067,351 |
| Cash flows used in investment activities | | |
| Purchase of investments | <u>(1,177,838)</u> | <u>(2,793,804)</u> |
| Net increase in cash and cash equivalents | 28,838 | 273,547 |
| Cash and cash equivalents, beginning of year | <u>599,660</u> | <u>326,113</u> |
| Cash and cash equivalents, end of year | <u>\$ 628,498</u> | <u>\$ 599,660</u> |

The accompanying notes are an integral part of these consolidated financial statements.

WEST HARLEM DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

Note 1 Organization

West Harlem Development Corporation (WHDC) was incorporated in the State of Delaware on March 14, 2011 as a non-stock corporation and was authorized to do business in the State of New York on November 2, 2011. On May 1, 2013, the New York State Supreme Court approved WHDC to assume the assets and commitments of West Harlem Local Development Corporation (WHLDC). WHLDC was a signatory to a Community Benefits Agreement (CBA), which was signed with Columbia University (CU) on May 18, 2009 in connection with CU's campus expansion in Manhattanville (West Harlem).

124th Housing LLC ("124TH LLC") was incorporated in the State of Delaware on June 26, 2019 and was authorized to do business in the State of New York on July 26, 2019. 124TH LLC is a special purpose limited liability corporation formed to invest in a low-income affordable housing development in Upper Manhattan. WHDC is the 100% sole member.

WHDC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization as described in Code Sections 509(a)(1) and 170(b)(1)(A)(vi).

Note 2 Significant accounting policies

Principles of consolidation. The financial statements are consolidated to include the accounts of WHDC and 124TH LLC. All significant intercompany transactions and balances have been eliminated in the consolidation.

Basis of accounting. The consolidated financial statements of WHDC have been prepared on the accrual basis of accounting and report information regarding its financial position and activities according to two classes of net assets: net assets with donor restrictions and net assets without donor restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor) imposed restrictions. Some 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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

WEST HARLEM DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

Note 2 Significant accounting policies - (continued)

Support. WHDC reports contributions received and unconditional promises to give at their fair values and as increases in net assets. Gifts of cash and other assets are reported as with restrictions if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, assets with restrictions are reclassified as without restrictions and reported in the consolidated statement of activity as net assets released from restrictions.

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

Gifts of goods and equipment are reported as without restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as support with restrictions. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, WHDC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Cash and cash equivalents. Cash and cash equivalents consist of cash held in checking, money market accounts, and savings accounts. Cash held by investment managers are reported as part of investments.

Concentrations of revenue. WHDC provides various social services for the benefits of the residents of MCD9, and nearly 100% of its revenue comes from contributions from Columbia University as a result of the May 18, 2009 CBA. The future value of the Benefits Fund was \$76 million payable over 16 years at the date of the CBA in 2009, of which Columbia University has paid \$39,250,000 to WHDC. As of December 31, 2019, and 2018, the future value of the Benefits Fund installments was \$36,750,000 and \$42,750,000, respectively.

Concentrations of credit and market risk. Financial instruments that potentially expose WHDC to concentrations of credit and market risk consist primarily of cash and investments. Cash is maintained at one of the nation's largest banks. Investments consist of U.S. Government money market funds; mutual funds; interests in long/short domestic equity funds, global long/short credit, event driven funds, emerging markets funds, and a diversified portfolio of common stocks - all of which are managed by professional investment advisors. Management understands the risks implicit in investing and believes that with the guidance of the Investment Committee of the Board of Directors, the consultation by the professional investment advisor, and the qualifications and experience of its management, appropriate oversight is being exercised; and WHDC's diverse portfolio carries a reasonable overall level of risk.

WEST HARLEM DEVELOPMENT CORPORATION**Notes to the Consolidated Financial Statements**

December 31, 2019 and 2018

Note 2 Significant accounting policies - (continued)

Investments. Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value is based on quotations obtained from national securities exchanges.

Allowance for doubtful accounts. Management has determined that no allowance for uncollectible accounts for accounts, note, or contributions receivable is necessary as of December 31, 2019. Such determination is based on management's assessments of the creditworthiness of its donors, the age of its receivables, as well as current economic conditions and historical information.

Net assets. The net assets of WHDC as of December 31, 2019 and 2018 are all classified as With Donor Restrictions by program and time and comprise the following designations:

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Allocations of net assets from Benefits Fund: | | |
| Benefits Fund receivable | \$ 34,669,757 | \$ 40,077,029 |
| Grant/Manhattanville housing allocation - custodial | 928,986 | 748,260 |
| Benefits Fund -short-term investments | 9,396,789 | 6,337,765 |
| Operating Activities | <u>6,950,941</u> | <u>5,073,158</u> |
| Net assets from Benefits Fund | 51,946,473 | 52,236,212 |
| Net assets from Affordable Housing Fund | 8,348,259 | 10,250,261 |
| Net assets from 124TH LLC | <u>2,046,073</u> | <u>-</u> |
| Total net assets with donor restrictions | <u>\$ 62,340,805</u> | <u>\$ 62,486,473</u> |

For the periods ended December 31, 2019 and 2018, WHDC has cumulatively expended \$634,379 and \$568,080 respectively, of the earned designated amount to vendors on behalf of Grant/Manhattanville Houses leaving a balance of \$928,986 and \$748,260 respectively in custody for the public houses.

WEST HARLEM DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

Note 2 Significant accounting policies - (continued)

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

Functional allocation of expenses. The cost of providing the various programs and supporting services has been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management. The ratios are based on the share of the program of the overall management expenses, excluding staff who are directly charged to specific programs.

The expenses that are allocated include the following:

| <u>Expense</u> | <u>Method of allocation</u> |
|----------------------------|-----------------------------|
| Salaries | Time and effort |
| Payroll taxes and benefits | Time and effort |
| Occupancy expenses | Square footage |

Income taxes. WHDC has no uncertain tax positions as December 31, 2019 in accordance with Accounting Standards Codification (“ASC”) Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provision for uncertain tax positions. Tax filing periods ending December 31, 2016 and later are subject to examinations by appropriate tax authorities. 124TH LLC is a disregarded entity for tax purposes and will be included in the tax return of WHDC.

Subsequent events. WHDC has evaluated its consolidated financial statements for potential recognition or disclosure through May 15, 2020, which is the date the consolidated financial statements were available to be issued. WHDC has determined that there are no subsequent events that require additional recognition or disclosure in the consolidated financial statements.

Change in accounting principle. On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented.

WEST HARLEM DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

Note 3 Community benefits agreement

WHDC implements the CBA by providing and supporting programs that promote economic development, education, environmental protection, transportation, employment, affordable housing, arts & culture, community facilities, historical preservation and the overall economic and social improvement of the community and residents of Manhattan Community District 9 (MCD9), otherwise known as West Harlem. The boundaries of MCD9 are defined as South to North from 110th street to 155th street; and East to West from Manhattan, Morningside, St. Nicholas, Bradhurst, and Edgecombe Avenues to the Hudson River. In January 2015, the board of directors of WHDC strategically decided to focus on education (and youth development), workforce and economic development, and affordable housing. The 2009 CBA contains the following commitments from CU totaling \$150 million in cash and in kind:

| | <u>(In \$ millions)</u> |
|---|-------------------------|
| 1) The Benefits Fund | \$76 |
| 2) The Affordable Housing Fund - (payable by phases of construction) | \$20 |
| 3) Related Legal Assistance Benefits (managed by CU) | \$ 4 |
| 4) Access to CU's facilities and amenities known as "in-kind" | \$20 |
| 5) Commitment to a Demonstration Community Public School established in conjunction with and managed by Teachers College | \$30 |

The amounts paid to/used by WHDC and the respective balances of CU's commitments in the CBA as due to WHDC as of December 31, 2019 are shown below:

| | <u>(in \$millions)</u> | | |
|--|---|---------------------------------|--|
| | <u>CU's Original Commitment</u> | <u>Paid/Used 12/31/2019</u> | <u>WHDC Balance 12/31/2019</u> |
| Benefits Fund – non-designated | \$ 73.00 | \$ 37.70 | \$ 35.3 |
| Benefits Fund – designated (Grant/Manhattanville) | <u>3.00</u> | <u>1.55</u> | <u>1.45</u> |
| Sub-total Benefits Fund | 76.00 | 39.25 | 36.75 |
| Affordable Housing Fund | 20.00 | 10.00 | 10.00 |
| Access to Columbia's facilities (In-kind) | 20.00 | 0.40 | 19.60 |
| Items not controlled by WHDC: | | | |
| Legal assistance benefits for tenants | 4.00 | | |
| Demonstration community public school | 30.00 | | |

WHDC has chosen to fulfil its obligations through making grants to nonprofit organizations that provide the services itemized in the CBA, and selectively operating programs directly in the priority areas, all with emphasis on benefiting the residents of MCD9.

WEST HARLEM DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

Note 3 Community benefit agreement - (continued)

Fiscal sponsor: The CBA contains a requirement that CU makes annual installment payments of the Benefits Fund to WHDC as successor to WHLDC through a fiscal sponsor. On December 7, 2012 WHDC entered an MOU with Tides Center and Tides Foundation (collectively known as Tides) whereby Tides served as the fiscal sponsor. On January 1, 2016 WHDC, with the consent of CU, spun off from Tides Center and commenced to maintain its own bank accounts to support the assumption of responsibilities for disbursement for its operations and human resource management activities, and thereby WHDC assumed the responsibility to file its initial Form 990 for the 2016 year. In January 2017, WHDC completed the second phase of spinning off from Tides completely. With the consent of CU, WHDC assumed complete responsibility for receiving the installment payments from CU, investing with a professional investment advisor, and making all disbursements for grants and operations.

Note 4 Fair value measurement

Fair value measurement. In accordance with FASB ASC 820, *Fair Value Measurement*, WHDC has categorized its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

Investments recorded in the consolidated statement of financial position are categorized based on the inputs to valuation techniques as follows:

Level 1. Measurements that are most observable are based on quoted prices of identical instruments obtained from principal markets in which they are traded. Closing prices are both readily available and representative of fair value. Market transactions occur with sufficient frequency and volume to ensure liquidity.

Level 2. Measurements derived indirectly from observable inputs or from quoted prices from markets that are less liquid. Measurements may consider inputs that other market participants would use in valuing a portfolio, quoted market prices for similar securities, interest rates, credit risks, and others.

Level 3. Measurements that are least observable are estimated from related market data, determined from sources with little or no market activity for comparable contracts, or are positions with longer durations.

WEST HARLEM DEVELOPMENT CORPORATION**Notes to the Consolidated Financial Statements**

December 31, 2019 and 2018

Note 4 Fair value measurement - (continued)

Following is a description of the valuation methodology used for investments measured at fair value. There have been no changes in the methodologies used at December 31, 2019 and 2018.

Equities – These are securities that trade on major exchanges. Accordingly, these securities are disclosed as level 1 of the hierarchy.

Fixed Income - The fixed income government, corporate and foreign issued bonds employ a strategy of direct holdings of treasuries and fixed income positions to seek maximum total return consistent with the preservation of capital. The fair value estimates of such fixed income strategies are based on observable market information rather than market quotes as of the measurement date. Accordingly, the estimates of fair value for such fixed income securities, are included in the fixed income securities amount disclosed in level 2 of the hierarchy.

The following tables set forth by level, within the fair value hierarchy, the investments at fair value as of December 31, 2019 and 2018:

| <u>Investment at December 31,</u> | 2019 | | |
|-----------------------------------|---------------------|----------------------|----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
| Cash and cash equivalents | \$ - | \$ - | \$ 5,996,208 |
| Equities | 6,588,278 | - | 6,588,278 |
| Fixed Income – Government | - | 8,426,639 | 8,426,639 |
| Fixed Income - Corporate | - | 4,623,423 | 4,623,423 |
| Fixed Income - Foreign | - | 40,407 | 40,407 |
| | <u>\$ 6,588,278</u> | <u>\$ 13,090,469</u> | <u>\$ 25,674,955</u> |

| <u>Investment at December 31,</u> | 2018 | | |
|-----------------------------------|---------------------|----------------------|----------------------|
| | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
| Cash and cash equivalents | \$ - | \$ - | \$ 8,690,723 |
| Equities | 4,115,277 | - | 4,115,277 |
| Fixed Income – Government | - | 5,722,992 | 5,722,992 |
| Fixed Income - Corporate | - | 4,541,666 | 4,541,666 |
| Fixed Income - Foreign | - | 38,899 | 38,899 |
| | <u>\$ 4,115,277</u> | <u>\$ 10,303,557</u> | <u>\$ 23,109,557</u> |

WEST HARLEM DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

Note 4 Fair value measurement - (continued)

As of December 31, 2019 and 2018, WHDC had short-term investments amounting to \$25,674,955 and \$23,109,557 respectively all of which were managed by Boston Trust:

| <u>Investment at December 31,</u> | 2019 | | | | |
|-----------------------------------|---------------------------------------|------------------------------|-------------------------------------|---------------------|----------------------|
| | <u>Cash & Cash Equivalent</u> | <u>Bonds- Government</u> | <u>Bonds-Corp & Foreign</u> | <u>Equity</u> | <u>Total</u> |
| Cash and short term fund | \$ 3,147,290 | \$ 2,160,738 | \$ 2,062,769 | \$ - | \$ 7,370,797 |
| Invested benefits fund | 202,912 | 2,258,461 | 347,138 | 6,588,278 | 9,396,789 |
| Affordable housing fund | 2,112,857 | 4,007,440 | 2,253,924 | - | 8,374,221 |
| Grant House fund - custodial | 408,928 | - | - | - | 408,928 |
| Manhattanville - custodial | 124,220 | - | - | - | 124,220 |
| | <u>\$ 5,996,207</u> | <u>\$ 8,426,639</u> | <u>\$ 4,663,831</u> | <u>\$ 6,588,278</u> | <u>\$ 25,674,955</u> |

| <u>Investment at December 31,</u> | 2018 | | | | |
|-----------------------------------|---------------------------------------|------------------------------|-------------------------------------|---------------------|----------------------|
| | <u>Cash & Cash Equivalent</u> | <u>Bonds- Government</u> | <u>Bonds-Corp & Foreign</u> | <u>Equity</u> | <u>Total</u> |
| Cash and short term fund | \$ 2,383,308 | \$ 1,786,062 | \$ 2,063,199 | \$ - | \$ 6,232,569 |
| Invested benefits fund | 479,964 | 1,460,765 | 281,759 | 4,115,277 | 6,337,765 |
| Affordable housing fund | 5,538,489 | 2,476,165 | 2,235,607 | - | 10,250,261 |
| Grant House fund - custodial | 284,228 | - | - | - | 284,228 |
| Manhattanville - custodial | 4,734 | - | - | - | 4,734 |
| Subtotal noncustodial | <u>\$ 8,690,723</u> | <u>\$ 5,722,992</u> | <u>\$ 4,580,565</u> | <u>\$ 4,115,277</u> | <u>\$ 23,109,557</u> |

Note 5 Cash and cash equivalents

The total of cash and cash equivalents comprised of the following balances all of which, were maintained in bank accounts held by WHDC as of December 31, 2019 and at December 31, 2018:

| | <u>2019</u> | <u>2018</u> |
|--|-------------------|-------------------|
| Benefits fund cash and cash and cash equivalents | \$ 228,682 | \$ 139,957 |
| 124TH Housing LLC | 4,406 | - |
| Grant House and Manhattanville - cash and cash equivalents-custodial | <u>395,410</u> | <u>459,703</u> |
| Total cash and cash equivalents | <u>\$ 628,498</u> | <u>\$ 599,660</u> |

WEST HARLEM DEVELOPMENT CORPORATION**Notes to the Consolidated Financial Statements**

December 31, 2019 and 2018

Note 6 Liquidity and availability

As of December 31, 2019 and 2018, financial assets available for general expenditure, that is, without donor, or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

| | <u>2019</u> | <u>2018</u> |
|--|---------------------|---------------------|
| Cash and cash equivalents | \$ 233,088 | \$ 139,957 |
| Short-term investments | 7,370,797 | 6,232,569 |
| Benefits fund receivable | <u>1,443,885</u> | <u>2,363,137</u> |
| Total available to use within one year | <u>\$ 9,047,770</u> | <u>\$ 8,735,663</u> |

Note 7 Pension Plan

WHDC maintains a 403B plan for its employees who work more than 20 hours per week. Eligible employees can make contributions to their individual 403B accounts and vest in them immediately upon hiring. The employer matches the employee contribution as follows: (1) 100% employee contribution that are not in excess of 3% of compensation, plus (2) 50% of employee contribution that exceed 3% of compensation but that does not exceed 5% of employee compensation. The plan includes an automatic enrollment feature whereby 3% of the salaries of eligible employees are automatically deferred. Pension expense for the year ended December 31, 2019 and 2018 amounted to \$34,165 and \$26,116, respectively. The vesting schedule of employer contributions is:

| <u>Years of service</u> | <u>Vesting %</u> |
|-------------------------|------------------|
| Less than 1 year | 0% |
| 1 | 50% |
| 2 | 100% |

Note 8 Benefit fund contributions receivable

Unconditional promises to give are recorded at the present value of their estimated future cash flows. In determining the present value of the expected future cash flows of the benefits fund contributions payable in installments by CU over the remaining years, discount rates representing 10-year Treasury bill yield rates were applied to the long term receivables at December 31,

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Amounts due within one year | \$ 6,000,000 | \$ 6,000,000 |
| Amount due in two to six years | <u>30,750,000</u> | <u>36,750,000</u> |
| Total receivables | 36,750,000 | 42,750,000 |
| Less: discount | <u>(2,080,243)</u> | <u>(2,672,971)</u> |
| Total receivables net of discount | <u>\$ 34,669,757</u> | <u>\$ 40,077,029</u> |
| 10-year Treasury bill yield discount rate applied | 1.0192% | 1.0269% |

WEST HARLEM DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

Note 8 Benefit fund contributions receivable - (continued)

As of December 31, 2019 and 2018 contributions receivable net of discounts which is with restrictions amounted to \$34,669,757 and \$40,077,029, respectively. Total noncurrent contributions receivable as of December 31, 2019 and 2018 are \$28,669,757 and \$34,077,029, respectively.

Note 9 Convertible note receivable

On July 29, 2019 124TH LLC, a wholly-owned subsidiary of WHDC entered into an “Equity Advance Convertible Note” Agreement with Carthage 124TH LLC wherein 124TH LLC lent \$2,000,000 to Carthage at 5% annual interest. The Note provides that it will mature with the accrued interest on the anniversary at 365 days or WHDC can elect to extend the Note and convert its note plus accrued interest into equity interest in a new construction of 169 units of low-income affordable housing. If WHDC chooses to convert, the equity interest of 124TH LLC will be 37% plus additional value from the accrued interest based on an ascribed land acquisition cost of \$5,400,000. The accrued interest as of December 31, 2019 was \$41,667 that would be worth an additional equity interest of 0.77% should WHDC elect to convert the loan and accrued interest into equity. Management expects all commitments from CU and Carthage 124TH LLC to be fully collected or converted (124TH LLC), and, accordingly, no allowance for doubtful commitments has been provided.

Note 10 In-kind

In-kind contributions are recorded as income and expenses at the time the items are received, which is also the time they are placed into service or distributed. Donated services are reported as income at their fair value if such services create or enhance non-financial assets or would have been purchased if not provided by donations. The CBA contains a provision for CU to provide \$20 million of in-kind services and amenities to MCD9 through requests from WHDC. Through the years ended December 31, 2019 and 2018, WHDC has requested a total of \$360,350 and \$188,709 respectively, leaving an unclaimed balance of in-kind services and amenities of \$19,639,650 and \$19,811,291 respectively. The uncertainty of the realization of the services is contingent upon timing, location, and approval of CU. As a result, the unclaimed balance has not been recorded in the financials. In-kind is shown as both revenue and expense in the financial statements. According to the CBA, WHDC can request up to \$2 million of in-kind benefits each year. What is not used carries forward to the succeeding years. The total \$20 million in-kind benefits expire when exhausted, or on December 31, 2045, whichever occurs first.

WEST HARLEM DEVELOPMENT CORPORATION**Notes to the Consolidated Financial Statements**

December 31, 2019 and 2018

Note 10 In-kind - (continued)

Total in-kind contribution for the year ending December 31, is as follows:

| | <u>2019</u> | <u>2018</u> |
|---|----------------------|----------------------|
| Year ending December 31, | | |
| Use of facilities and services of CU | \$ 171,641 | \$ 42,276 |
| Legal services | 16,131 | |
| Summer Camps and Community Meetings | 260,887 | 45,300 |
| Use of Non-CU facility | 17,609 | 17,849 |
| Total in-kind | <u>\$ 466,268</u> | <u>\$ 105,425</u> |
| CU Unclaimed in-kind balance | | |
| Original commitment | <u>\$ 20,000,000</u> | <u>\$ 20,000,000</u> |
| Claimed by WHDC as of the January 1, | (188,709) | (146,433) |
| Claimed during the year ending December 31, | <u>(171,641)</u> | <u>(42,276)</u> |
| Total claimed for the period | <u>(360,350)</u> | <u>(188,709)</u> |
| Unclaimed Columbia University in-kind balance | <u>\$ 19,639,650</u> | <u>\$ 19,811,291</u> |

Note 11 Commitments

WHDC leases its office space that will expire on June 18, 2022. It also leases space for the operation of its West Harlem Skills Training Center whose lease expires on August 31, 2020. The minimum future payments on both leases are:

Year ending December 31,

| | |
|-------|-------------------|
| 2020 | \$ 79,540 |
| 2021 | 82,324 |
| 2022 | 38,967 |
| Total | <u>\$ 200,831</u> |

WEST HARLEM DEVELOPMENT CORPORATION

Notes to the Consolidated Financial Statements

December 31, 2019 and 2018

Note 12 Percentages of functional expenses

On December 18, 2012, West Harlem Local Development (WHLDC) the predecessor organization of WHDC, entered into an Assurance of Discontinuance (AOD) agreement with the Office of the Attorney General of the State of New York. The AOD expired on December 17, 2015, however management has chosen to use this guideline. Item 14 of the AOD required that “on a fiscal- year basis, the Organization will make at least eighty-five percent (85%) of its expenditures in the form of direct grants of CBA funds or other program expenses”. For the year ended December 31, 2019 WHDC’s direct grants from the CBA’s Benefits fund and other allocated program expenses comprised ninety and 35/100 percent (90.35%) of total organizational expenses. The allocated management and fund-raising expenses for the year ended December 31, 2019 were six and 73/100 percent (6.73%) and two and 91/100 percent (2.91%), respectively.

WEST HARLEM DEVELOPMENT CORPORATION
Consolidating Schedule of Financial Position
For the year ended December 31, 2019

| | <u>WHDC</u> | <u>124TH LLC</u> | <u>Eliminations</u> | <u>Consolidated total</u> |
|--|----------------------|---------------------|-----------------------|---------------------------|
| <u>Assets</u> | | | | |
| Current assets | | | | |
| Cash and cash equivalents - note 5 | \$ 624,092 | \$ 4,406 | \$ - | \$ 628,498 |
| Investments - note 4 | 25,674,955 | - | - | 25,674,955 |
| Benefits fund receivable - note 8 | 6,000,000 | - | - | 6,000,000 |
| Accrued interest - note 9 | - | 41,667 | - | 41,667 |
| Prepaid expenses | 10,878 | - | - | 10,878 |
| | <u>32,309,925</u> | <u>46,073</u> | <u>-</u> | <u>32,355,998</u> |
| Total current assets | | | | |
| Non-current assets | | | | |
| Benefits fund receivable, net of discount of \$2,080,243 in 2019 and \$2,672,971 in 2018 - note 8 | 28,669,757 | - | - | 28,669,757 |
| Investment in 124TH Housing LLC | 2,046,073 | - | (2,046,073) | - |
| Convertible note receivable - note 9 | - | 2,000,000 | - | 2,000,000 |
| Other assets – deposit | 20,227 | - | - | 20,227 |
| | <u>30,736,057</u> | <u>2,000,000</u> | <u>(2,046,073)</u> | <u>30,689,984</u> |
| Total non-current assets | | | | |
| Total assets | <u>\$ 63,045,982</u> | <u>\$ 2,046,073</u> | <u>\$ (2,046,073)</u> | <u>\$ 63,045,982</u> |
| <u>Liabilities and Net Assets</u> | | | | |
| Current liabilities | | | | |
| Accounts payable and accrued expenses | \$ 56,774 | \$ - | \$ - | \$ 56,774 |
| Grants payable | 648,403 | - | - | 648,403 |
| | <u>705,177</u> | <u>-</u> | <u>-</u> | <u>705,177</u> |
| Total current liabilities | | | | |
| Net assets without donor restrictions | <u>62,340,805</u> | <u>2,046,073</u> | <u>(2,046,073)</u> | <u>62,340,805</u> |
| Total liabilities and net assets | <u>\$ 63,045,982</u> | <u>\$ 2,046,073</u> | <u>\$ (2,046,073)</u> | <u>\$ 63,045,982</u> |

WEST HARLEM DEVELOPMENT CORPORATION**Consolidating Schedule of Activities**

For the year ended December 31, 2019

| | WHDC | 124TH LLC | Eliminations | Consolidated total |
|---------------------------------------|----------------------|---------------------|-----------------------|-----------------------|
| Support | | | | |
| Contributions | \$ 6,050 | \$ - | \$ - | \$ 6,050 |
| Interest and dividends | 585,776 | 41,667 | - | 627,443 |
| In-kind - note 10 | 466,268 | - | - | 466,268 |
| Net unrealized gain | 1,445,098 | - | (16,073) | 1,429,025 |
| Adjustment for receivable discount | 592,728 | - | - | 592,728 |
| Net assets released from restrictions | - | - | - | - |
| | <u>3,095,920</u> | <u>41,667</u> | <u>(16,073)</u> | <u>3,121,514</u> |
| Total support and use of net assets | | | | |
| Expenses | | | | |
| Program services | 2,926,356 | 25,594 | - | 2,951,950 |
| Management and general | 220,021 | - | - | 220,021 |
| Fundraising | 95,211 | - | - | 95,211 |
| | <u>3,241,588</u> | <u>25,594</u> | <u>-</u> | <u>3,267,182</u> |
| Total expenses | | | | |
| Change in net assets | (145,668) | 16,073 | (16,073) | (145,668) |
| Net assets, beginning of year | 62,486,473 | - | - | 62,486,473 |
| Capital contribution WHDC | - | 2,030,000 | (2,030,000) | - |
| | <u>\$ 62,340,805</u> | <u>\$ 2,046,073</u> | <u>\$ (2,046,073)</u> | <u>\$ 62,340,805</u> |
| Net assets, end of year | | | | |