

**WEST HARLEM DEVELOPMENT CORPORATION
AND SUBSIDIARY**

CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

GETTRYMARCUS



West Harlem Development Corporation and Subsidiary

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Year Ended December 31, 2020

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Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of West Harlem Development Corporation (a nonprofit organization) and Subsidiary which comprise the consolidated statement of financial position as of December 31, 2020 and the related consolidated statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of West Harlem Development Corporation and Subsidiary as of December 31, 2020, and the consolidated changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

GETTRY MARCUS CPA, P.C.

Gettry Marcus CPA, P.C.
Woodbury, New York
December 17, 2021

West Harlem Development Corporation and Subsidiary
Consolidated Statement of Financial Position
December 31, 2020

	<u>Net Assets With Donor Restrictions</u>
Assets	
Current assets	
Cash and cash equivalents	\$ 899,595
Investments, at fair value	29,361,221
Benefits Fund receivable, net of discount - current portion	7,430,893
Note receivable, current portion	<u>250,000</u>
Total current assets	<u>37,941,709</u>
Other assets	
Benefits Fund receivable, net of discount - long-term portion	22,620,594
Note receivable, long-term portion	1,750,000
Accrued interest receivable	141,667
Security deposits	<u>21,669</u>
Total other assets	<u>24,533,930</u>
Total assets	<u><u>\$ 62,475,639</u></u>
Liabilities and Net Assets	
Current liabilities	
Accounts payable and accrued expenses	\$ 94,618
Grants payable	<u>504,500</u>
Total current liabilities	599,118
Net assets	
With donor restrictions	<u>61,876,521</u>
Total liabilities and net assets	<u><u>\$ 62,475,639</u></u>

West Harlem Development Corporation and Subsidiary
Consolidated Statement of Activities
Year Ended December 31, 2020

	<u>Net Assets Without Donor Restrictions</u>	<u>Net Assets With Donor Restrictions</u>	<u>Total</u>
Support and revenues			
Contributions	\$ -	\$ 1,000	\$ 1,000
Interest and dividends	-	542,498	542,498
Realized investment gains	-	56,249	56,249
Unrealized investment gains	-	837,519	837,519
Adjustment to discount on Benefits Fund receivable	-	1,381,730	1,381,730
In-kind contributions	-	68,349	68,349
Total support and revenues	<u>-</u>	<u>2,887,345</u>	<u>2,887,345</u>
Net assets released from restrictions	<u>3,351,629</u>	<u>(3,351,629)</u>	<u>-</u>
Total support, revenues and reclassifications	<u>3,351,629</u>	<u>(464,284)</u>	<u>2,887,345</u>
Functional expenses			
Program services:			
Grants and community services	1,859,961	-	1,859,961
Youth services	441,370	-	441,370
Senior services	410,216	-	410,216
Workforce development services	273,181	-	273,181
Total program services	<u>2,984,728</u>	<u>-</u>	<u>2,984,728</u>
Supporting services:			
Management and general	366,901	-	366,901
Total functional expenses	<u>3,351,629</u>	<u>-</u>	<u>3,351,629</u>
Decrease in net assets	-	(464,284)	(464,284)
Net assets - Beginning of year	<u>-</u>	<u>62,340,805</u>	<u>62,340,805</u>
Net assets - End of year	<u>\$ -</u>	<u>\$ 61,876,521</u>	<u>\$ 61,876,521</u>

West Harlem Development Corporation and Subsidiary
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	<u>Program Services</u>				<u>Total Program Services</u>	<u>Supporting Services</u>	<u>Total Functional Expenses</u>
	<u>Grants and Community Services</u>	<u>Youth Services</u>	<u>Senior Services</u>	<u>Workforce Development Services</u>		<u>Management and General</u>	
Salaries	\$ 210,489	\$ 109,560	\$ 323,740	\$ 98,905	\$ 742,694	\$ 212,318	\$ 955,012
Payroll taxes and employee benefits	65,184	49,924	59,693	74,768	249,569	65,750	315,319
Total salaries and related expenses	<u>275,673</u>	<u>159,484</u>	<u>383,433</u>	<u>173,673</u>	<u>992,263</u>	<u>278,068</u>	<u>1,270,331</u>
Grants to nonprofits	1,379,204	-	-	-	1,379,204	-	1,379,204
Professional fees	3,698	1,925	2,070	1,738	9,431	44,306	53,737
Consultants	102,623	111,236	-	-	213,859	-	213,859
Participant stipends	-	141,695	-	-	141,695	-	141,695
Occupancy	28,614	14,894	16,019	68,741	128,268	28,864	157,132
Equipment leases and licenses	632	329	354	7,479	8,794	638	9,432
Community and Grantee meetings	35,829	-	-	-	35,829	-	35,829
Technical assistance to grantees	18,790	-	-	-	18,790	-	18,790
Conferences and meetings	1,649	858	923	1,037	4,467	1,662	6,129
Telecommunication and postage	4,282	4,154	2,397	5,024	15,857	4,318	20,175
Office supplies and copying	4,720	4,584	2,642	13,243	25,189	4,760	29,949
Liability insurance	4,113	2,141	2,303	1,933	10,490	4,149	14,639
Miscellaneous	134	70	75	313	592	136	728
Total expenses	<u><u>\$ 1,859,961</u></u>	<u><u>\$ 441,370</u></u>	<u><u>\$ 410,216</u></u>	<u><u>\$ 273,181</u></u>	<u><u>\$ 2,984,728</u></u>	<u><u>\$ 366,901</u></u>	<u><u>\$ 3,351,629</u></u>

See independent auditor's report and notes to consolidated financial statements.

West Harlem Development Corporation and Subsidiary
Consolidated Statement of Cash Flows
Year Ended December 31, 2020

Cash flows from operating activities	
Decrease in net assets	<u>\$ (464,284)</u>
Adjustments to reconcile decrease in net assets to net cash provided by operating activities:	
Realized investment gains	(56,249)
Unrealized investments gains	(837,519)
Adjustment to discount on Benefits Fund receivable	(1,381,730)
Changes in operating assets and liabilities:	
(Increase) decrease in:	
Benefits Fund receivable	6,000,000
Accrued interest receivable	(100,000)
Prepaid expenses and other assets	10,878
Security deposits	(1,442)
Increase (decrease) in:	
Accounts payable and accrued expenses	37,844
Grants payable	<u>(143,903)</u>
Total adjustments	<u>3,527,879</u>
Net cash provided by operating activities	<u>3,063,595</u>
Cash flows from investing activities	
Purchase of investments	(33,001,843)
Proceeds from sale of investments	<u>30,209,345</u>
Net cash used by investing activities	<u>(2,792,498)</u>
Net increase in cash and cash equivalents	271,097
Cash and cash equivalents - Beginning of year	<u>628,498</u>
Cash and cash equivalents - End of year	<u>\$ 899,595</u>

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

Note 1 – Summary of Organization and Nature of Activities

Organization and Nature of Activities

West Harlem Development Corporation (“WHDC”), a nonprofit organization, was incorporated in the State of Delaware on March 14, 2011 as a non-stock corporation. WHDC was authorized to do business in the State of New York on November 2, 2011.

WHDC’s mission is to promote increased economic opportunities and quality of life to sustain a vibrant community in West Harlem under the provisions of a Community Benefits Agreement (“CBA”) (defined below) with Columbia University (“CU”).

A CBA is a legally enforceable agreement between a real estate developer and a community that binds the developer to provide agreed-upon benefits. In 2005, Community Board 9 of New York City approved the creation of a local development corporation, D9 Local Development Corporation (“D9”), a nonprofit New York State entity, incorporated on March 16, 2006, to engage in negotiations with Columbia University on behalf of the community of West Harlem. Through an amendment on October 5, 2006, D9 changed its name to West Harlem Local Development Corporation (“WHLDC”). On May 1, 2013, the New York Supreme Court approved the petition by WHLDC to transfer its assets and obligations under the CBA to WHDC and subsequently dissolve. WHDC is the successor organization to WHLDC.

WHDC is a consequence of the 25-year campus expansion project of Columbia University in the City of New York. This educational mixed-use complex that began in 2009 will eventually span 17 acres and will include academic, commercial, cultural, community facility space, and open public space. To facilitate this significant development, Columbia University signed the CBA on May 18, 2009. The CBA provides \$150 million in financial commitments on the part of Columbia University.

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). WHDC is charged with implementing the CBA for the benefit of residents in the West Harlem community, more precisely of Manhattan Community District 9.

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 company formed to invest in a low-income affordable housing development in upper Manhattan. WHDC is the sole member in 124th Housing LLC.

Principles of Consolidation

The consolidated financial statements include the accounts of WHDC and its wholly owned subsidiary, 124th LLC (collectively, the “Organization”). All significant intercompany balances and transactions have been eliminated in consolidation.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

The Organization reports information regarding its consolidated financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. When a restriction expires (when a stipulated time restriction ends or a purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Promises to Give, Revenue and Expenditures

Unconditional promises to give are recognized when pledged and recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed 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 revenue. Conditional promises to give will be recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets will be reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets.

Revenues are reported as increases in net assets without donor restriction unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities will be reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between applicable classes of net assets.

Contributions of property and equipment or cash restricted for acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. If donors specify a length of time over which the property or equipment must be used, the restrictions expire evenly over the required period. Absent that type of restriction for use, the Organization considers the restriction met when the assets are placed in service. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation.

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Concentrations of Revenue

WHDC provides various social services for the benefit of the residents of Manhattan Community District 9 (“MCD9”). Approximately 100% of its revenue is attributable to contributions from CU and related investment earnings thereon, provided by the CBA. The future value of the Benefits Fund (Note 3) was \$76,000,000 payable over 16 years at the date of the CBA in 2009. As of December 31, 2020, CU has paid \$45,250,000 to WHDC and the future value of the Benefits Fund receivable was \$30,750,000.

Measure of Operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization’s ongoing activities. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Cash and Cash Equivalents

For consolidated financial statement purposes, the Organization considers cash held in checking, money market, and savings accounts as cash and cash equivalents. Cash held by investment managers are reported as part of investments. The Organization maintains cash balances at banks in the New York metropolitan area. Cash accounts at the banks are insured by the Federal Deposit Insurance Corporation subject to certain limits. At times, such cash balances may be in excess of the insured limits. The Organization has not experienced any losses in these accounts and does not believe it is exposed to any significant credit risk on its cash.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the Consolidated Statement of Financial Position. Unrealized gains and losses are included in the change in net assets.

Investment transactions are recorded on a trade-date basis. Interest income is recorded using the accrual basis. Dividends are recorded on the ex-dividend date. Realized gains or losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition.

Property, Equipment and Related Depreciation Methods

Major property and equipment additions with individual item costs of at least \$5,000 are recorded at cost if purchased, or, in the case of donated property, at the fair value at the date of the gift. Such donations are reported as contributions without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as contributions with donor restrictions. Absent donor stipulations regarding how long these donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time. Major additions and improvements are capitalized while replacements, maintenance and repairs which do not improve or extend the lives of the respective assets, are expensed as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Impairment of Long-Lived Assets

The Organization evaluates whether events and circumstances have occurred that indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of an asset may not be recoverable. The measurement of possible impairment is based on the ability to recover the balance of assets from expected future operating cash flows on an undiscounted basis. Impairment losses, if any, would be determined based on fair value, using the present value of the cash flows with discount rates that reflect the inherent risk of the underlying business. No impairment was required to be recognized for the year ended December 31, 2020.

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, 2020. 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.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Estimates are based on past experience and other assumptions that management believes are reasonable under the circumstances, and management evaluates these estimates on an ongoing basis. The significant estimates of the Organization include discount of Benefits Fund receivable to net present value, allowance for uncollectable receivables and expense allocations.

Functional Expenses and Allocation Method

The costs of providing various programs and supporting services have been summarized on a functional basis in the Consolidated Statement of Activities and in the Consolidated Statement of Functional Expenses.

The consolidated financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions. Accordingly, certain costs have been allocated among the programs and supporting services benefited, using appropriate measurement methodologies. The expenses that are allocated include salaries and related expenses, professional fees, occupancy, equipment leases and licenses, conferences and meetings, telecommunications and postage, office supplies and copying, liability insurance and miscellaneous expenses. All of these expenses are allocated based on estimates of time and effort and employee head count.

Tax-Exempt Status

The Organization has been notified by the Internal Revenue Service that it is exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code ("Code"). The Organization is further classified as an organization that is not a private foundation under Section 509(a)(3) of the Code. The Organization follows the guidance of Accounting Standards Codification 740, Accounting for Income Taxes, related to uncertain income taxes, which prescribes a threshold of more likely than not for recognition and derecognition of tax positions taken or expected to be taken in a tax return. All significant tax positions have been considered by management. It has been determined that is more likely than not that all tax positions would be sustained upon examination by taxing authorities. Accordingly, no provision for income taxes has been recorded.

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Contributed Services and In-Kind Contributions

During the year ended December 31, 2020, the value of contributed services meeting the requirements for recognition in the consolidated financial statements was not material and has not been recorded. In-kind contributions received are recorded at fair market value.

Fair Value Measurements

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. The levels of the hierarchy and those investments included in each are as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the assets or liabilities;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the assets or liabilities.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Fair values are based on quoted market prices when available (Level 1). When market prices are not available, fair value is generally estimated using current market inputs for similar financial instruments with comparable terms and credit quality, commonly referred to as matrix pricing (Level 2). In instances where there is little or no market activity for the same or similar instruments, estimates of fair value are made using methods, models and assumptions that management believes are relevant to the particular asset or liability. This may include discounted cash flow analysis or other income based approaches (Level 3). These valuation techniques involve some level of management estimation and judgment. Where appropriate, adjustments are included to reflect the risk inherent in a particular methodology, model or input used and are reflective of the assumptions that market participants would use in valuing assets or liabilities.

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

Following is a description of the valuation methodologies used for investments measured at fair value:

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.

There have been no changes in the methodologies used at December 31, 2020.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Advertising

Advertising costs are expensed as incurred. Advertising expenses were \$2,362 for the year ended December 31, 2020.

Accounting Standards Updates (“ASU”)

The Organization has reviewed recently issued ASU’s by the Financial Accounting Standards Board (“FASB”) and based on that review, has determined that those pronouncements, with the exceptions below, will not have a significant effect on the Organization’s consolidated financial statements.

In May 2014, FASB ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU replaces all current U.S. GAAP guidance on this topic and eliminates industry-specific guidance. The topic, which was amended several times since, contains a core principle, that is, to recognize revenues when promised goods or services are transferred to customers in an amount that reflect the consideration to which an entity is expected to be entitled for those goods or services. The ASU defines a five-step process to achieve this core principle and, in so doing, more judgement and estimates may be required within the revenue recognition process than was previously required. This process includes identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocation the transaction to each performance obligation. The ASU is effective for annual periods beginning after December 15, 2019. Entities can use either one of these methods (a) retrospective to each prior reporting period presented with the option to elect certain practical expedients as defined within the ASU, or, (b) retrospective with the cumulative effect of initially applying the ASU recognized at the date of initial application and providing certain additional disclosures as defined in the ASU. The Organization implemented the provisions of this ASU effective January 1, 2020, and it had no impact on the consolidated financial statements.

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

Note 2 – Summary of Significant Accounting Policies (continued)

In February 2016, FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”). ASU 2016-02 replaced all current U.S. GAAP guidance on this topic. Under ASU 2016-02:

- A lessee would account for both finance leases and operating leases by recognizing a right-of-use asset and a lease liability on the statement of financial position, with an exception for leases that commence at or near the end of the underlying asset’s economic life. Finance leases will recognize amortization of the right-of-use asset separately from interest on the lease liability, and operating leases will recognize the lease expense on a straight-line basis. Additionally, the ASU only allows for the capitalization of only those costs, as initial direct costs, that are incurred due to the successful execution of a lease.
- Allows for an optional transition method to adopt this ASU for comparative financial statement presentations. Under this transition method, an entity initially applies the new lease standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of net assets (deficit) in the year of adoption. Consequently, an entity’s reporting for the comparative year presented in the financial statements in which it adopts the new lease standard, will continue to be in accordance with current U.S. GAAP (Topic 840, *Leases*) although it will not be consistently applied to both years.
- The ASU, as amended, is effective for fiscal years beginning after December 15, 2021.

The Organization is evaluating the impact the adoption of this ASU, as amended, could have on its consolidated financial statements.

In September 2020, FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The intention of this ASU is to increase transparency about nonfinancial gifts in kind, including how they are used and how they are valued. The ASU requires a separate line-item presentation of contributed nonfinancial assets in the statement of activities, apart from the contributions of cash or other financial assets. The ASU requires disclosure of the disaggregation of the amount of nonfinancial gifts in-kind received by category and the organization, and for each category, disclosure of: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period; (ii) the not-for-profit’s policy about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any related donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure. The ASU is effective for annual reporting periods beginning after June 15, 2021, to be applied on a retrospective basis, and earlier application is permitted. Management has not assessed the impact, if any, this ASU will have on its consolidated financial statements.

Subsequent Events

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the consolidated financial statements through December 17, 2021 the date the consolidated financial statements were available to be issued.

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

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 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 WHDC strategically decided to focus on the areas of education (and youth development), workforce and economic development, and affordable housing.

The CBA contains the following commitments from CU in cash and in-kind contributions:

	<u>(In \$ millions)</u>
1) The Benefits Fund	\$ 76
2) The Affordable Housing Fund – (payable by phases of construction)	20
3) Housing 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)	<u>30</u>
Total commitment	<u>\$150</u>

The cumulative amounts paid to/used by WHDC and the respective remaining balances of CU’s commitments as of December 31, 2020 are shown below:

	CU's Original Commitment	Cumulative Paid/Used 12/31/2020	WHDC Balance 12/31/2020
Benefits Fund - non-designated	\$ 73,000,000	\$ 43,463,816	\$ 29,536,184
Benefits Fund - designated (Grant/Manhattanville)	3,000,000	1,786,184	1,213,816
Total Benefits Fund (1)	<u>\$ 76,000,000</u>	<u>\$ 45,250,000</u>	<u>\$ 30,750,000</u>
Affordable Housing Fund (2)	\$ 20,000,000	\$ 10,000,000	\$ 10,000,000
Access to CU's facilities and amenities (In-kind) (4)	\$ 20,000,000	\$ 396,179	\$ 19,603,821
Items not controlled by WHDC:			
Housing related legal assistance benefits (3)	\$ 4,000,000	N/A	N/A
Demonstration community public school (5)	\$ 30,000,000	N/A	N/A

WHDC has elected to fulfill its obligations under the CBA, by awarding grants to nonprofit organizations that provide the services itemized in the CBA, and selective operating programs in the priority areas, all with emphasis on benefiting the residents of MCD9.

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 a Memorandum of Understanding 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 began maintaining 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.

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

Note 3 – Community Benefits Agreement (continued)

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 – Cash and Cash Equivalents

Cash and cash equivalents consisted of the following balances, all of which were maintained in bank accounts held by WHDC, as of December 31, 2020:

Benefits Fund	\$ 475,531
124th Housing LLC	4,406
Grant Houses and Manhattanville Houses (custodial)	<u>419,658</u>
 Total cash and cash equivalents	 <u>\$ 899,595</u>

Note 5 – Benefits Fund 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, discount rates representing 10-year Treasury bill yield rates were applied to the long-term receivables. At December 31, 2020, the 10-year Treasury bill yield discount rate applied was 1.0093%. For the year ended December 31, 2020, the adjustment on the Benefits Fund receivable discount was \$1,381,730 and included in the Consolidated Statement of Activities. At December 31, 2020, the Benefits Fund receivable, net of discounts, consisted of the following:

Amounts due within one year	\$ 7,500,000
Amounts due in one to five years	<u>23,250,000</u>
Total receivables	30,750,000
Less: discount to net present value	<u>(698,513)</u>
Total receivables, net of discount	30,051,487
 Less: amounts presented as current	 <u>(7,430,893)</u>
	 <u>\$ 22,620,594</u>

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

Note 6 – Investments and Fair Value Measurements

WHDC’s investments at December 31, 2020 consist of equities and fixed income. Fair values for investments are determined by references to quoted market values and other relevant information generated by market transactions. The following sets forth by level within the fair value hierarchy, the investments at fair value as of December 31, 2020:

	Level 1	Level 2	Level 3	Total
Equities	\$ 7,239,949	\$ -	\$ -	\$ 7,239,949
Fixed Income - Government	-	13,237,261	-	13,237,261
Fixed Income - Corporate	-	6,465,483	-	6,465,483
Fixed Income - Foreign	-	26,809	-	26,809
	<u>7,239,949</u>	<u>19,729,553</u>	<u>-</u>	<u>26,969,502</u>
Cash funds	-	-	-	2,391,719
	<u>\$ 7,239,949</u>	<u>\$ 19,729,553</u>	<u>\$ -</u>	<u>\$ 29,361,221</u>

As of December 31, 2020, WHDC had short-term investments, which were managed by Boston Trust, that consist of the following:

	Cash Funds	Equities	Bonds - Government	Bonds - Corporate and Foreign	Total
Short-term Fund	\$ 564,325	\$ -	\$ 4,079,263	\$ 2,618,402	\$ 7,261,990
Invested Benefits Fund	592,821	7,239,949	2,464,667	386,189	10,683,626
Affordable Housing Fund	366,281	-	5,110,025	3,105,968	8,582,274
Grant Houses Fund - custodial	527,928	-	-	-	527,928
Manhattanville Houses Fund - custodial	242,796	-	-	-	242,796
Reserve Housing Fund	97,568	-	1,583,306	381,733	2,062,607
	<u>\$ 2,391,719</u>	<u>\$ 7,239,949</u>	<u>\$ 13,237,261</u>	<u>\$ 6,492,292</u>	<u>\$ 29,361,221</u>

Note 7 – Note Receivable

On July 29, 2019, 124th LLC, entered into an Equity Advance Convertible Note Agreement (“Note”) with Carthage 124th LP (“Carthage”) wherein 124th LLC lent \$2,000,000 to Carthage at 5% annual interest. The Note was to mature one year after signing with accrued interest due or, WHDC could elect to extend the Note or convert the Note plus accrued interest into an equity interest in new construction of 169 units of low-income affordable housing. If WHDC chose to convert the Note, the equity interest of 124th LLC would be 37% plus additional value from the accrued interest based on an ascribed land acquisition cost of \$5,400,000. The accrued interest on the note amounted to \$141,667 as of December 31, 2020, which would have been worth an additional equity interest of 2.62% should WHDC have elected to convert the Note plus accrued interest into equity. The Note remained unpaid at December 31, 2020 and through the 3rd quarter of 2021. On September 30, 2021, 124th LLC entered into a new agreement with Marcus Garvey Apartments LP (formerly Carthage) (“Marcus Garvey”). Under the terms of the new agreement, the conversion option was eliminated, and Marcus Garvey agreed to repay the principal amount of \$2,000,000 plus accrued interest at 5% per annum. Payment terms of the new agreement require \$250,000 to be paid on or before October 30, 2021 with the remaining balance plus all accrued interest due no later than June 30, 2022. The Organization received the \$250,000 payment prior to the October 30th deadline.

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

Note 8 – Grants Payable

WHDC provides minimum grant awards of \$5,000 up to a maximum of \$50,000 to support activities pursuant to the CBA through WHDC’s Grant-Making Program. WHDC requires its grantees to meet specified or negotiated measurable goals within WHDC’s vision. Funded projects of organizations must be located in, or provide services to MCD9. Applications are prioritized by those that protect and preserve affordable housing, support and promote equity in the arts, support youth and seniors, and help spur economic development throughout MCD9. Grants awarded are disbursed in two installments. Grants payable of \$504,500 at December 31, 2020 were paid in 2021.

Note 9 – 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% of employee contributions that are not in excess of 3% of compensation, plus (2) 50% of employee contributions that exceed 3% of compensation but do 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, 2020 amounted to \$36,265. The vesting schedule of employer contributions is as follows:

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

Note 10 – Net Assets with Donor Restrictions

The net assets of WHDC as of December 31, 2020 are all classified as “With Donor Restrictions” and are comprised of the following:

Allocations of net assets from Benefits Fund:	
Benefits Fund Receivable	\$ 30,051,487
Grant/Manhattanville Housing allocation	1,190,794
Benefits Fund - short-term investments	<u>19,906,081</u>
Net assets from Benefits Fund	<u>51,148,362</u>
Allocations of net assets from Affordable Housing Fund	
Affordable Housing Fund - short-term investments	8,582,086
Note and accrued interest receivable	<u>2,146,073</u>
Net assets from Affordable Housing Fund	<u>10,728,159</u>
Total net assets with donor restrictions	<u><u>\$ 61,876,521</u></u>

As of December 31, 2020, WHDC has cumulatively expended \$612,602 of the earned designated amount to vendors on behalf of Grant/Manhattanville Houses leaving a balance of \$1,190,794 in custody for the public houses.

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

Note 11 – In-Kind Contributions

In-kind contributions are recorded as revenue and expense when received, which is also the time they are placed into service or distributed. Donated services are reported 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 \$20,000,000 of in-kind facilities, services and amenities to MCD9 through requests from WHDC. Through the year ended December 31, 2020, WHDC has requested a total of \$396,179, leaving an unclaimed balance of in-kind services and amenities of \$19,603,821. The realization of the services is inconsistent and is contingent upon timing, location and approval of CU. As a result, the unclaimed balance has not been recorded in the consolidated financial statements. According to the CBA, WHDC can request up to \$2,000,000 of in-kind benefits each year. The unused portion of the \$20,000,000 in-kind benefit provision expires at the earlier of December 31, 2045 or exhaustion of the fund.

In-kind contributions for the year ended December 31, 2020 are as follows:

Year ending December 31, 2020	
Use of facilities and services of CU	\$ 35,829
Use of Non-CU facility	<u>32,520</u>
Total in-kind contributions	<u><u>\$ 68,349</u></u>
Columbia University unclaimed in-kind balance	
Original commitment	\$ 20,000,000
Claimed by WHDC as of January 1, 2020	(360,350)
Claimed during the year ended December 31, 2020	<u>(35,829)</u>
Unclaimed Columbia University in-kind balance	<u><u>\$ 19,603,821</u></u>

Note 12 – Commitments

WHDC leases space for the operation of its West Harlem Skills Training Center under the terms of a lease that expired August 31, 2020. The same space continues to be rented on a month-to-month basis with similar terms. The Organization also leases its office space under the terms of a lease that will expire on June 18, 2022. The minimum future payments on this lease as of December 31, 2020 are as follows:

<u>Years Ending December 31,</u>	
2021	\$ 82,324
2022	<u>38,967</u>
	<u><u>\$ 121,291</u></u>

Note 13 – Percentages of Functional Expenses

On December 18, 2012, 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 agreement expired on December 17, 2015, however management has elected to continue to follow certain prudent guidelines in the agreement. The AOD agreement required that “on a fiscal-year basis, the Organization will make at least 85% of its expenditures in the form of direct grants of CBA funds or other program expenses”.

West Harlem Development Corporation and Subsidiary
Notes to Consolidated Financial Statements
December 31, 2020

Note 13 – Percentages of Functional Expenses (continued)

For the year ended December 31, 2020, WHDC's direct grants from the CBA's Benefits Fund and other allocated program expenses comprised \$2,984,728 or 89.05% of total expenditures. The allocated management and general expenses for the year ended December 31, 2020, amounted to \$366,901 or 10.95% of total expenditures.

Note 14 – Liquidity and Availability

As of December 31, 2020, all financial assets of the Organization are restricted per the CBA, limiting their use to programs which benefit MCD9 and the related management and general expenses required to administer these programs. The following table indicates which financial assets of the Organization are available for management and general expenditures:

Cash and cash equivalents	\$ 475,531
Investments, at fair value	7,253,445
Benefits Fund receivable	<u>2,534,840</u>
Total financial assets	<u><u>\$ 10,263,816</u></u>

At December 31, 2020, the current portion of the Benefits Fund receivable from CU at net present value was \$7,430,893. This amount has been reduced by the amount specifically designated for public housing for the year ended December 31, 2021, of \$296,053 and the total amount of program-related expenses that the WHDC board approved in the 2021 budget of \$4,600,000 (excluding public houses designated funds). The final amount of actual program expenditures may be different from the budget. Additionally, the amounts held in custody by WHDC, the Affordable Housing Fund, Reserve Housing Fund and the Invested Benefits Fund are not available for management and general expenditures and not included in the liquidity and availability amounts above.

Note 15 – Risks and Uncertainties

The Organization invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect investment balances and the amounts reported on the consolidated financial statements. Management understands the risks implicit in investing and believes that with the guidance of the Investment Committee of the Board of Directors, consultation with professional investment advisors, and the qualifications and experience of management, appropriate oversight is being exercised and WHDC's diverse portfolio carries a reasonable overall level of risk.

The coronavirus pandemic ("COVID-19") continues to adversely impact the United States and many other parts of the world. Accordingly, the Organization could experience reductions in contributions from donors, and/or disruptions on the timing of contributions received. Further, the Organization could be subject to reduced demand for program services. Currently, the Organization has not been materially impacted by these consequences (through the date of these consolidated financial statements). However, there could be an adverse impact on the Organization's activities as it is impossible to predict the effect the coronavirus will have on the economy. Given these uncertainties, the Organization is not able to estimate the ultimate effects of COVID-19 for near and long-term purposes.

Supplementary Information

Independent Auditor's Report on Supplementary Information

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

We have audited the consolidated financial statements of West Harlem Development Corporation and Subsidiary for the year ended December 31, 2020 and our report thereon dated December 17, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supporting schedules appearing on pages 20 and 21 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Gettry Marcus CPA, P.C.
New York, NY
December 17, 2021

Independent Auditor's Report on Supplementary Information

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

We have audited the consolidated financial statements of West Harlem Development Corporation and Subsidiary for the year ended December 31, 2020 and our report thereon dated December 17, 2021, which expressed an unmodified opinion on those consolidated financial statements, appears on page 1. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supporting schedules appearing on pages 20 and 21 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

GETTRY MARCUS CPA, P.C.

Gettry Marcus CPA, P.C.
New York, NY
December 17, 2021

West Harlem Development Corporation and Subsidiary
Consolidating Statement of Financial Position
December 31, 2020

	<u>WHDC</u>	<u>124th LLC</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 895,189	\$ 4,406	\$ -	\$ 899,595
Investments, at fair value	29,361,221	-	-	29,361,221
Benefits Fund receivable, net - current portion	7,430,893	-	-	7,430,893
Note receivable, current portion	-	250,000	-	250,000
Total current assets	<u>37,687,303</u>	<u>254,406</u>	<u>-</u>	<u>37,941,709</u>
Other assets				
Benefits Fund receivable, net - long-term portion	22,620,594	-	-	22,620,594
Note receivable, long-term portion	-	1,750,000	-	1,750,000
Accrued interest receivable	-	141,667	-	141,667
Investment in 124th Housing LLC	2,146,073	-	(2,146,073)	-
Security deposits	21,669	-	-	21,669
Total other assets	<u>24,788,336</u>	<u>1,891,667</u>	<u>(2,146,073)</u>	<u>24,533,930</u>
Total assets	<u>\$ 62,475,639</u>	<u>\$ 2,146,073</u>	<u>\$ (2,146,073)</u>	<u>\$ 62,475,639</u>
Liabilities and Net Assets				
Current liabilities				
Accounts payable and accrued expenses	\$ 94,618	\$ -	\$ -	\$ 94,618
Grants payable	504,500	-	-	504,500
Total current liabilities	599,118	-	-	599,118
Net assets				
With donor restrictions	61,876,521	2,146,073	(2,146,073)	61,876,521
Total liabilities and net assets	<u>\$ 62,475,639</u>	<u>\$ 2,146,073</u>	<u>\$ (2,146,073)</u>	<u>\$ 62,475,639</u>

West Harlem Development Corporation and Subsidiary
Consolidating Statement of Activities
Year Ended December 31, 2020

	<u>WHDC</u>	<u>124th LLC</u>	<u>Eliminations</u>	<u>Consolidated Total</u>
Support and revenues				
Contributions	\$ 1,000	\$ -	\$ -	\$ 1,000
Interest and dividends	442,498	100,000	-	542,498
Realized investment gains	56,249	-	-	56,249
Unrealized investments gains	837,519	-	-	837,519
Unrealized gain - investment in 124th Housing LLC	100,000	-	(100,000)	-
Adjustment to discount on Benefits Fund receivable	1,381,730	-	-	1,381,730
In-kind contributions	68,349	-	-	68,349
Total support and revenues	<u>2,887,345</u>	<u>100,000</u>	<u>(100,000)</u>	<u>2,887,345</u>
Functional expenses				
Program services:				
Grants and community services	1,859,961	-	-	1,859,961
Youth services	441,370	-	-	441,370
Senior services	410,216	-	-	410,216
Workforce development services	273,181	-	-	273,181
Total program services	<u>2,984,728</u>	<u>-</u>	<u>-</u>	<u>2,984,728</u>
Supporting services:				
Management and general	366,901	-	-	366,901
Total functional expenses	<u>3,351,629</u>	<u>-</u>	<u>-</u>	<u>3,351,629</u>
Increase (decrease) in net assets	(464,284)	100,000	(100,000)	(464,284)
Net assets - Beginning of year	<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	<u>\$ 61,876,521</u>	<u>\$ 2,146,073</u>	<u>\$ (2,146,073)</u>	<u>\$ 61,876,521</u>