

WYANDANCH COMMUNITY DEVELOPMENT CORPORATION
FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

WYANDANCH COMMUNITY DEVELOPMENT CORPORATION

TABLE OF CONTENTS

JUNE 30, 2019

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Position	2
Statement of Activities and Changes in Net Assets	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wyandanch Community Development Corporation
59 Cumberbach Street
Wyandanch, New York 11798

I have audited the accompanying financial statements of Wyandanch Community Development Corporation (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Wyandanch Community Development Corporation as of June 30, 2019, and the 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.

Report on Summarized Comparative Information

I have previously audited the Wyandanch Community Development Corp's 2018 financial statements, and I expressed an unmodified audit opinion on those audited financial statements in my report dated September 20, 2018. In my opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Frank J. Scarano CPA, Professional LLC

September 19, 2019

WYANDANCH COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

ASSETS

	<u>2019</u>	<u>2018</u>
<u>Current assets:</u>		
Cash	\$ 164,862	\$ 110,113
Accounts receivable (Note 3)	23,083	30,939
Prepaid expenses	<u>13,167</u>	<u>13,654</u>
Total current assets	<u>201,112</u>	<u>154,706</u>
<u>Fixed Assets: (Note 1)</u>		
Land and buildings	2,163,095	2,148,095
Furniture & equipment	25,290	25,290
Construction in progress	<u>120,091</u>	<u>402,570</u>
	2,308,476	2,575,955
Less: accumulated depreciation	<u>(1,070,196)</u>	<u>(997,289)</u>
Total fixed assets	<u>1,238,280</u>	<u>1,578,666</u>
Total assets	<u>\$1,439,392</u>	<u>\$1,733,372</u>

LIABILITIES AND NET ASSETS

<u>Current liabilities:</u>		
Accounts payable & payroll tax withholdings	\$ 10,936	\$ 4,578
Accrued expenses	23,000	21,500
Tenants' security payable	38,534	35,289
Current portion of long term debt	5,042	4,894
Refundable advances (Note 4)	<u>283,750</u>	<u>504,015</u>
Total current liabilities	<u>361,262</u>	<u>570,276</u>
<u>Long-Term Debt:</u>		
Mortgages Payable (Note 5)	874,151	879,045
Less current portion	<u>(5,042)</u>	<u>(4,894)</u>
Total long-term debt	<u>869,109</u>	<u>874,151</u>
Total liabilities	<u>1,230,371</u>	<u>1,444,427</u>
<u>Net Assets:</u>		
Without donor restrictions	<u>209,021</u>	<u>288,945</u>
Total net assets	<u>209,021</u>	<u>288,945</u>
Total liabilities and net assets	<u>\$1,439,392</u>	<u>\$1,733,372</u>

See Independent Auditor's Report and Notes.

WYANDANCH COMMUNITY DEVELOPMENT CORPORATION
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2019 AND 2018

<u>Revenue and other support:</u>	<u>Unrestricted</u>	
	<u>2019</u>	<u>2018</u>
Grants	\$170,739	\$286,393
Rental income - Federal subsidies	66,590	73,670
Rental income - tenants	182,593	179,471
Developer's fee	20,000	60,000
Gain (Loss) on sale of real estate property	325	(37,988)
Interest income	32	165
Fund raising event - net	<u>247</u>	<u>1,389</u>
 Total revenue and support	 <u>440,526</u>	 <u>563,100</u>
 <u>Expenses:</u>		
 <u>Program services</u>		
HCR Neighborhood Preservation	88,671	93,669
Community development	53,628	44,732
Rental property	<u>134,096</u>	<u>144,446</u>
 Total program services	 276,395	 282,847
 <u>Support Services</u>		
General and administrative	<u>244,055</u>	<u>279,935</u>
 Total expenses	 <u>520,450</u>	 <u>562,782</u>
 Increase (decrease) in net assets	 (79,924)	 318
Net assets at beginning of year	<u>288,945</u>	<u>288,627</u>
 Net assets at end of year	 <u>\$209,021</u>	 <u>\$288,945</u>

See Independent Auditor's Report and Notes.

WYANDANCH COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2019
(WITH COMPARATIVE TOTALS FOR 2018)

	<u>Program Expenses</u>			<u>Total</u>
	<u>HCR Neighborhood Preservation</u>	<u>Community Develop.</u>	<u>Rental Property</u>	
Salaries	\$88,671	\$40,733	\$ -	\$129,404
Fringe benefits	-	-	-	-
Stipends	-	1,000	-	1,000
Repairs & maintenance	-	-	32,233	32,233
Depreciation	-	-	72,324	72,324
Interest expense	-	-	3,425	3,425
Bad Debt expense	-	-	-	-
Real estate taxes	-	-	4,474	4,474
Utilities	-	-	2,326	2,326
Legal and accounting	-	-	4,984	4,984
Supplies	-	859	-	859
Telephone/internet service	-	-	-	-
Insurance expense	-	-	9,946	9,946
Staff training	-	-	-	-
Minor equipment	-	-	1,078	1,078
Rental of equipment	-	-	-	-
Fees and permits	-	-	2,006	2,006
Security	-	-	1,300	1,300
Meeting & conferences	-	-	-	-
Travel	-	410	-	410
Donations	-	10,000	-	10,000
Dues and subscriptions	-	-	-	-
Advertising & website	-	-	-	-
Community outreach	-	-	-	-
Office expense	-	-	-	-
Miscellaneous	-	626	-	626
Total functional expenses	<u>\$88,671</u>	<u>\$53,628</u>	<u>\$134,096</u>	<u>\$276,395</u>

<u>General and Administrative</u>	<u>Totals</u>	
	<u>2019</u>	<u>2018</u>
\$ 84,736	\$214,140	\$255,710
52,711	52,711	55,161
-	1,000	1,000
4,935	37,168	48,054
583	72,907	77,349
-	3,425	3,839
1,700	1,700	-
263	4,737	5,174
3,430	5,756	4,866
29,085	34,069	26,650
6,981	7,840	7,182
3,521	3,521	3,507
11,850	21,796	20,842
5,483	5,483	1,016
904	1,982	7,855
1,893	1,893	-
-	2,006	2,160
1,049	2,349	1,236
3,393	3,393	1,250
22,539	22,949	22,086
2,468	12,468	7,619
1,286	1,286	2,731
656	656	-
1,758	1,758	3,840
-	-	120
<u>2,831</u>	<u>3,457</u>	<u>3,535</u>
<u>\$244,055</u>	<u>\$520,450</u>	<u>\$562,782</u>

See Independent Auditor's Report and Notes.

WYANDANCH COMMUNITY DEVELOPMENT CORPORATION

STATEMENT OF CASH FLOWS

FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
<u>Cash flows from operating activities:</u>		
Increase (decrease) in net assets	\$ (79,924)	\$ 318
<u>Adjustments to reconcile changes in net assets to net cash provided (used) by operating activities</u>		
Depreciation expense	72,907	77,349
(Gain) loss on sale of property	(325)	37,988
<u>Change in current assets and liabilities</u>		
(Increase) decrease in accounts receivable	7,856	(8,556)
(Increase) decrease in prepaid expenses	487	(2,581)
Increase (decrease) in accounts payable, and payroll tax withholdings	6,358	(5,423)
Increase (decrease) in accrued expense	1,500	3,500
Increase (decrease) in tenants' security payable	3,245	(4,145)
Increase (decrease) in deferred revenue	<u>(220,265)</u>	<u>(426,700)</u>
Net cash provided (used) by operating activities	<u>(208,161)</u>	<u>(328,250)</u>
<u>Cash flows from investing activities:</u>		
Capital improvements & acquisition costs	(157,149)	(216,435)
Net dispositions of fixed assets	<u>424,953</u>	<u>402,300</u>
Net cash provided (used) by investing activities	<u>267,804</u>	<u>185,865</u>
<u>Cash flows from financing activities:</u>		
Proceeds from loans & mortgages	-	-
Satisfaction of mortgage	<u>(4,894)</u>	<u>(4,749)</u>
Net cash provided (used) by financing activities	<u>(4,894)</u>	<u>(4,749)</u>
Net increase (decrease) in cash	54,749	(147,134)
Cash at beginning of year	<u>110,113</u>	<u>257,247</u>
Cash at end of year	<u>\$ 164,862</u>	<u>\$ 110,113</u>
<u>Supplemental Disclosure of Cash Flow Information</u>		
<u>Cash paid during the year</u>		
Interest expenses	<u>\$ 3,425</u>	<u>\$ 3,839</u>

See Independent Auditor's Report and Notes.

WYANDANCH COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 1. Organization and Summary of Operations

Nature of Activities

Wyandanch Community Development Corporation (WCDC) was organized on November 8, 1971 under the laws of New York State, as a not-for-profit corporation, for the purpose of constructing and the operation of residential housing to be sold or rented to low income eligible individuals.

Note 2. Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of WCDC have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of American (U.S.GAAP). Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time the liabilities are incurred. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Basis of Presentation

WCDC is required to report information regarding its financial position and activities according to two classes of net assets: with and without donor restrictions.

New Accounting Pronouncement

In 2018, WCDC adopted Accounting Standards Update ("ASU") 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. WCDC has adjusted the presentation of its financial statements accordingly, applying the new changes retrospectively to the comparative period presented. The new standards change the following aspects of WCDC's financial statements:

The temporarily restricted and permanently restricted net assets classes have been combined into a single net asset class called net assets without donor restrictions.

The unrestricted net asset class have been renamed net assets without donor restrictions.

The financial statements include a new disclosure about liquidity and availability of resources (Note 7).

The changes on the net assets as of June 30, 2019 are the unrestricted net assets of \$288,945 are now classified as net assets without donor restrictions.

Comparative Financial Information

The statements of financial position, activities and changes in net assets include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with WCDC's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

WYANDANCH COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 2. Summary of Significant Accounting Policies (continued)

Contributions

Gifts of cash and other assets received without donor stipulations are reported as revenue and net assets without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue and net assets with donor restrictions. When a donor stipulated time restriction ends or 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. Gifts and investment income having donor stipulations that are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Gifts of land, buildings, equipment and other long-lived assets are reported as revenue and net assets without donor restrictions unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as revenue and net assets with donor restrictions. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of net assets with donor restrictions to net assets without donor restrictions are reported when the long-lived assets are placed in service.

Grants and Contracts

Grants and contracts revenue result from agreements, typically with government agencies, corporations, or foundations, that fund specific activities at WCDC. The grants and contracts are of two primary types: conditional contributions and contracts with customers. An agreement is a conditional contribution if its primary purpose is to enable WCDC to provide a service to, or construct or provide a residence for, the direct benefit of the population served by WCDC rather than to serve the direct needs of the granting or contracting party. In other words, the agreement is a conditional contribution if any benefit to the granting or contracting party is indirect and insubstantial as compared to the public benefit. In contrast, if the grant or contract provides a benefit directly to the granting or contracting party, the agreement is a contract with a customer. All grants received by WCDC for the year ended June 30, 2019, are considered conditional contributions and are summarized as follows:

Conditional contributions:

Cost-reimbursement grants for community development	\$159,404
Cost-reimbursement grants for farmers market	<u>11,335</u>
Total conditional contributions	<u>\$170,739</u>

Conditional contributions are recognized as WCDC incurs qualifying expenditures in compliance with rules and regulations established by the grantor, who is typically a state or local awarding agency. The grants are paid on a cost-reimbursement basis, most often by drawdowns of the grant funds. Any unused funds are forfeited, and if any expenditures are unallowed, WCDC is required to refund the amounts drawn down. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

WYANDANCH COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 2. Summary of Significant Accounting Policies (continued)

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and the statement of functional expenses. Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses that are allocated are compensation, which are allocated on the basis of estimates of time and effort.

Accounts Receivable

Accounts receivable represent rental income from tenants and from consideration from contracts with state and local governmental agencies, of which the organization has an unconditional right to receive. Accounts receivable are stated at the amount management expects to be collected from the outstanding balance. As of June 30, 2019, management has determined, based on historical experience, that all amounts are fully collectable and no allowance for doubtful accounts is necessary.

Property and Equipment

Expenditures in excess of \$5,000 which enhance the value of property and equipment are capitalized. Buildings, equipment and leasehold improvements are recorded at cost. Property and equipment acquired under governmental grants are expensed in the year acquired. Depreciation of property and equipment is being provided on the straight line method over the estimated useful life of the assets.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain 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.

Concentration of Credit Risk Arising from Cash Deposits
in Excess of Insured Limits

WCDC maintains non-interest bearing checking accounts and an interest bearing savings account with two financial institutions located in Wyandanch, NY. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2019 and 2018 all cash balances held by WCDC were fully insured.

Income Taxes

WCDC is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and state income taxes. Accordingly, no provision for income taxes has been made in the accompanying statements.

Uncertainty in Income Taxes

WCDC recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that WCDC had no uncertain tax positions that would require financial statement recognition or disclosure.

WYANDANCH COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 2. Summary of Significant Accounting Policies (continued)

WCDC's federal returns for the years ended June 30, 2019, 2018 and 2017 could be subject to examination by Federal taxing authorities, generally three years after they are filed.

Subsequent Events

In accordance with generally accepted accounting principles, management has evaluated subsequent events through September 19, 2019, which is the date that the financial statements were available for issuance. As a result of this evaluation, no other events were identified that are required to be disclosed or would have a material impact on reported net assets or changes in net assets for the year ended June 30, 2019.

Compensated absences

The liability for future compensated absences is immaterial at June 30, 2019 and 2018. Employees normally take their vacations prior to year end, the period vacation is earned.

Note 3. Accounts Receivable-Grants and Tenants

The details of the accounts receivable at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Town of Babylon	\$18,650	\$22,083
Rents receivable	2,825	4,681
Other	<u>1,608</u>	<u>4,175</u>
Total	<u>\$23,083</u>	<u>\$30,939</u>

Note 4. Refundable Advances

WCDC records grant awards accounted for as exchange transactions as refundable advances until related services are performed, at which time they are recognized as revenue. The balances of refundable advances at June 30, 2019 of \$283,750 are as follows:

Urban Initiative Program - \$60,000

The Urban Initiative grant provided by the NYS Housing Trust Fund Corp. in the amount of \$150,000 for the construction of 38 Davidson and 17 Hickory is recognized as revenue over a five year period. The recapture period ends on September 22, 2020. For the current year ended June 30, 2019 \$30,000 was recognized as grant revenue and is reflected in grant revenue on the statement of activities.

Town of Babylon - \$223,750

The Town of Babylon provided grant funds for the construction of four homes to be sold as affordable housing. Upon completion and sale of the units the proceeds will be given to the Town of Babylon. WCDC will receive a developers fee not to exceed \$20,000 per unit.

WYANDANCH COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 5. Mortgages Payable - \$874,151

There are eight mortgages payable to the Town of Babylon. Six of the mortgages are considered liens on the property in the form of a mortgage and are considered grants when all the terms are satisfied.

Interest rates on these mortgages is 4% per annum. No payments are due unless the properties are sold within a specified period (15 or 20 years) commencing on the date the mortgages were granted, or if WCDC doesn't comply with the affordability requirements set forth in the loan agreement. Under the terms of each of the six loan/lien agreements once the loans mature and all of the conditions of the agreement have been satisfied, WCDC receives a satisfaction of mortgage from Suffolk county for the property and the amount is recognized as revenue in the statement of activities in the year the mortgage is satisfied.

A summary of the six mortgages payable in the form of liens, to the Town of Babylon, the location of these properties, the terms and amounts of these mortgages are as follows:

<u>Property Address</u>	<u>Terms</u>	<u>2019</u>	<u>2018</u>
10 Lindsay Avenue	20yrs - 07/01/2026	110,000	110,000
145 Jefferson Avenue	20yrs - 09/01/2029	170,645	170,645
42 Irving Avenue	20yrs - 06/11/2033	177,000	177,000
45 Parkway Blvd	20yrs - 12/05/2033	180,000	180,000
38 Davidson Street	20yrs - 03/28/2036	62,500	62,500
17 Hickory Street	20yrs - 03/28/2036	62,500	62,500
		<u>\$762,645</u>	<u>\$762,645</u>

WCDC has two mortgages from the Town of Babylon that are secured by the property owned by WCDC. Details of these two mortgages are as follows:

38 Davidson Street - \$55,753

The mortgage is payable in monthly installments of \$346 commencing October 1, 2016, including interest at the rate of 3% per annum. The maturity date is September 1, 2036.

17 Hickory Street - \$55,753

The mortgage is payable in monthly installments of \$346 commencing October 1, 2016, including interest at the rate of 3% per annum. The maturity date is September 1, 2036.

Note 6. The following is an analysis of the annual principal payments due on the mortgages payable to the Town of Babylon at June 30, 2019:

2020	5,043
2021	5,196
2022	5,354
2023	5,518
2024	5,684
Thereafter	<u>84,711</u>
	<u>\$111,506</u>

WYANDANCH COMMUNITY DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

Note 7. Liquidity

The following reflects WCDC's available financial assets, reduced by amounts not available for general use within one year. Amounts not available for use within one year include the financial assets received with donor restrictions that are designated for a specific purpose, time line or contractual obligation, and have been earmarked as resources available for future years. Total financial assets available to meet cash needs for general expenditures within one year at June 30, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Cash	\$164,862	\$110,113
Accounts receivable	<u>23,083</u>	<u>30,939</u>
 Total financial assets available within one year	 187,945	 141,052
 Less amounts unavailable for general expenditures within one year due to:		
Contractual or donor-imposed restrictions:		
Amounts set aside for tenants security deposits	(38,534)	(35,289)
Amounts set aside for construction projects with Town of Babylon	<u>(100,000)</u>	<u>-</u>
 Financial assets available to meet cash needs for general expenditures within one year	 <u>\$ 49,411</u>	 <u>\$105,763</u>

WCDC relies on cash from governmental grants and rental income as its principal source of liquidity to operate its programs. The Organization has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due within one year. In addition, as part of its liquidity management, the Organization invests cash in excess of daily requirements in certificates of deposit when funds are available in excess of 60 days of operating expenses.