# Community Capital New York, Inc.

Financial Statements

June 30, 2019 and 2018

**Community Capital New York, Inc.**
Financial Statements
June 30, 2019 and 2018

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PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

## Independent Auditors' Report

**Board of Directors of**
**Community Capital New York, Inc.**

We have audited the accompanying financial statements of Community Capital New York, Inc. (the "Corporation") which comprise the statements of financial position as of June 30, 2019 and 2018 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Community Capital New York, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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***Change in Accounting Principle***

As discussed in note 2 to the financial statements, during the year ended June 30, 2019, Community Capital New York, Inc. adopted new accounting guidance resulting in a change in the manner in which it presents net assets and reports certain aspects of its financial statements. Our opinion is not modified with respect to this matter.

PKF O'Connor Davies, LLP

September 26, 2019

**Community Capital New York, Inc.**

Statements of Financial Position

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 1,529,289 | $ 2,692,716 |
| Loans receivable, current portion, net of loan loss reserve | 1,961,796 | 1,583,119 |
| Grants receivable | 295,433 | 255,466 |
| Prepaid expenses | 6,567 | 16,437 |
| Interest receivable | 60,861 | 32,280 |
| Contributions and other receivable | 70,000 | 2,309 |
| Total Current Assets | 3,923,946 | 4,582,327 |
| Loans receivable, noncurrent portion, net of loan loss reserve | 1,448,820 | 655,113 |
| Restricted cash accounts | 2,681,698 | 2,524,202 |
| Cash collateral accounts | 18,350 | 53,500 |
| Furniture and equipment, net of accumulated depreciation | 6,277 | 10,461 |
| Network license, net of accumulated amortization | 6,250 | 8,750 |
| Security deposits | 3,788 | 3,788 |
| | $ 8,089,129 | $ 7,838,141 |
| **LIABILITIES AND NET ASSETS** | | |
| Current Liabilities | | |
| Accounts payable and other current liabilities | $ 51,640 | $ 89,006 |
| Funds held in trust - collateral accounts | 18,350 | 53,500 |
| Borrowings on lines of credit, current portion | 149,006 | 149,006 |
| Notes payable, current portion | 269,474 | 319,360 |
| Total Current Liabilities | 488,470 | 610,872 |
| Long Term Liabilities | | |
| Program related investment | - | 350,000 |
| Borrowings on lines of credit, noncurrent portion | 925,000 | 925,000 |
| Notes payable, noncurrent portion | 2,842,126 | 2,128,344 |
| Total Long Term Liabilities | 3,767,126 | 3,403,344 |
| Total Liabilities | 4,255,596 | 4,014,216 |
| Net Assets | | |
| Without Donor Restictions | | |
| Operations | 1,892,676 | 1,424,794 |
| Board Designated | | |
| Loan loss reserve | 105,782 | 136,118 |
| Loan fund capital | 1,143,784 | 1,000,000 |
| Total Without Donor Restictions | 3,142,242 | 2,560,912 |
| With Donor Restictions | | |
| Loan fund capital | 173,815 | 725,662 |
| Loan loss reserve | 203,870 | 218,908 |
| Technical assistance | 313,606 | 318,443 |
| Total With Donor Restictions | 691,291 | 1,263,013 |
| Total Net Assets | 3,833,533 | 3,823,925 |
| | $ 8,089,129 | $ 7,838,141 |

See notes to financial statements

**Community Capital New York, Inc.**

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2019

| | Without Donor Restictions | With Donor Restictions | Total |
|---|---|---|---|
| **SUPPORT AND REVENUE** | | | |
| Government contracts | $ - | $ 541,965 | $ 541,965 |
| Grants from corporations | 31,047 | 234,833 | 265,880 |
| Grants for loan loss reserve | - | 57,513 | 57,513 |
| Grants for loan capital | - | 173,815 | 173,815 |
| Contributions | 55,705 | - | 55,705 |
| In-kind contributions | 10,210 | - | 10,210 |
| Interest income on loan portfolio | 240,075 | - | 240,075 |
| Loan fee income | 50,456 | - | 50,456 |
| Program revenue | 900 | - | 900 |
| Interest income | 5,130 | - | 5,130 |
| Net assets released from restrictions | 1,579,848 | (1,579,848) | - |
| Total Support and Revenue | 1,973,371 | (571,722) | 1,401,649 |
| **EXPENSES** | | | |
| Program | 910,864 | - | 910,864 |
| Fundraising | 45,227 | - | 45,227 |
| Management and general | 80,518 | - | 80,518 |
| Total Operating Expenses Before Grants and Loan Loss Provision | 1,036,609 | - | 1,036,609 |
| Feasibility project grant | 67,282 | - | 67,282 |
| Loan loss provision | 288,150 | - | 288,150 |
| Total Operating Expenses | 1,392,041 | - | 1,392,041 |
| Change in Net Assets | 581,330 | (571,722) | 9,608 |
| **NET ASSETS** | | | |
| Beginning of year | 2,560,912 | 1,263,013 | 3,823,925 |
| End of Year | $ 3,142,242 | $ 691,291 | $ 3,833,533 |

See notes to financial statements

**Community Capital New York, Inc.**

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2018

| | Without Donor Restictions | With Donor Restictions | Total |
|---|---|---|---|
| **SUPPORT AND REVENUE** | | | |
| Government contracts | $ - | $ 547,685 | $ 547,685 |
| Grants from corporations | 125,080 | 195,500 | 320,580 |
| Grants for loan loss reserve | - | 22,130 | 22,130 |
| Grants from loan capital | - | 760,025 | 760,025 |
| Contributions | 41,090 | - | 41,090 |
| In-kind contributions | 4,200 | - | 4,200 |
| Interest income on loan portfolio | 236,421 | - | 236,421 |
| Loan fee income | 28,809 | - | 28,809 |
| Program revenue | 4,200 | - | 4,200 |
| Interest income | 4,791 | - | 4,791 |
| Net assets released from restrictions | 904,077 | (904,077) | - |
| Total Support and Revenue | 1,348,668 | 621,263 | 1,969,931 |
| **EXPENSES** | | | |
| Program | 718,775 | - | 718,775 |
| Fundraising | 55,917 | - | 55,917 |
| Management and general | 106,044 | - | 106,044 |
| Total Operating Expenses Before Grants and Loan Loss Provision | 880,736 | - | 880,736 |
| Feasibility project grant | 84,551 | - | 84,551 |
| Loan loss provision | 66,743 | - | 66,743 |
| Total Operating Expenses | 1,032,030 | - | 1,032,030 |
| Change in Net Assets | 316,638 | 621,263 | 937,901 |
| **NET ASSETS** | | | |
| Beginning of year | 2,244,274 | 641,750 | 2,886,024 |
| End of Year | $ 2,560,912 | $ 1,263,013 | $ 3,823,925 |

See notes to financial statements

**Community Capital New York, Inc.**

Statement of Functional Expenses
Year Ended June 30, 2019

| | Program | | | | | |
|---|---|---|---|---|---|---|
| | Affordable Housing Program | Small Business Program | Total Program | Fundraising | Management and General | Total Expenses |
| Salaries | $ 55,841 | $ 453,465 | $ 509,306 | $ 28,950 | $ 34,707 | $ 572,963 |
| Payroll taxes | 4,441 | 40,602 | 45,043 | 2,335 | 2,600 | 49,978 |
| Employee benefits | 5,991 | 27,019 | 33,010 | 2,373 | 2,839 | 38,222 |
| Office expense | 2,126 | 18,947 | 21,073 | 1,031 | 11,459 | 33,563 |
| Occupancy costs | 3,174 | 32,136 | 35,310 | 1,587 | 2,777 | 39,674 |
| Loan expenses | 50 | 31,673 | 31,723 | - | - | 31,723 |
| Professional fees | 5,337 | 20,959 | 26,296 | 856 | 1,498 | 28,650 |
| Insurance | 677 | 6,560 | 7,237 | 328 | 1,051 | 8,616 |
| Education and training | - | 15,095 | 15,095 | - | 515 | 15,610 |
| Consultant fees | 1,351 | 94,492 | 95,843 | 675 | 3,848 | 100,366 |
| In-kind | - | | - | - | 10,210 | 10,210 |
| Telephone | 505 | 5,270 | 5,775 | 252 | 441 | 6,468 |
| Travel | 701 | 11,086 | 11,787 | 729 | 1,669 | 14,185 |
| Printing | 77 | 1,828 | 1,905 | 38 | 104 | 2,047 |
| Postage and delivery | 20 | 311 | 331 | 53 | 32 | 416 |
| Development and fundraising | - | - | - | 6,020 | - | 6,020 |
| Marketing | - | 8,097 | 8,097 | - | 2,021 | 10,118 |
| Depreciation | - | - | - | - | 4,184 | 4,184 |
| Amortization | - | 2,500 | 2,500 | - | - | 2,500 |
| Interest | 34,187 | 26,346 | 60,533 | - | 563 | 61,096 |
| Total Operating Expenses Before Grants and Loan Loss Provision | 114,478 | 796,386 | 910,864 | 45,227 | 80,518 | 1,036,609 |
| Remediation grant | 67,282 | - | 67,282 | - | - | 67,282 |
| Loan loss provision | 7,469 | 280,681 | 288,150 | - | - | 288,150 |
| Total Operating Expenses | $ 189,229 | $ 1,077,067 | $ 1,266,296 | $ 45,227 | $ 80,518 | $ 1,392,041 |

See notes to financial statements

**Community Capital New York, Inc.**

Statement of Functional Expenses
Year Ended June 30, 2018

| | Program | | | | | |
|---|---|---|---|---|---|---|
| | Affordable Housing Program | Small Business Program | Total Program | Fundraising | Management and General | Total Expenses |
| Salaries | $ 55,035 | $ 326,403 | $381,438 | $ 34,233 | $ 51,337 | $ 467,008 |
| Payroll taxes | 4,540 | 26,509 | 31,049 | 2,930 | 5,207 | 39,186 |
| Employee benefits | 7,266 | 32,136 | 39,402 | 3,008 | 6,877 | 49,287 |
| Office expense | 1,746 | 18,930 | 20,676 | 1,097 | 4,753 | 26,526 |
| Occupancy costs | 3,323 | 27,067 | 30,390 | 2,083 | 3,801 | 36,274 |
| Program expenses | - | 46,689 | 46,689 | - | - | 46,689 |
| Loan expenses | - | 3,181 | 3,181 | - | - | 3,181 |
| Professional fees | - | 7,000 | 7,000 | - | 19,000 | 26,000 |
| Insurance | 980 | 6,158 | 7,138 | 586 | 1,059 | 8,783 |
| Education and training | 1,052 | 4,909 | 5,961 | 520 | 154 | 6,635 |
| Consultant fees | 225 | 52,023 | 52,248 | 142 | 1,400 | 53,790 |
| In-kind | - | - | - | - | 4,200 | 4,200 |
| Telephone | 503 | 4,365 | 4,868 | 312 | 639 | 5,819 |
| Travel | 255 | 7,575 | 7,830 | 837 | 762 | 9,429 |
| Printing | 198 | 1,471 | 1,669 | 136 | 297 | 2,102 |
| Postage and delivery | 41 | 636 | 677 | 57 | 159 | 893 |
| Repairs and maintenance | 1,012 | 7,547 | 8,559 | 311 | (52) | 8,818 |
| Development and fundraising | - | - | - | 9,274 | - | 9,274 |
| Marketing | 561 | 7,698 | 8,259 | 391 | 2,266 | 10,916 |
| Depreciation | - | - | - | - | 4,185 | 4,185 |
| Amortization | - | 2,500 | 2,500 | - | - | 2,500 |
| Interest | 44,890 | 14,351 | 59,241 | - | - | 59,241 |
| Total Operating Expenses Before Grants and Loan Loss Provision | 121,627 | 597,148 | 718,775 | 55,917 | 106,044 | 880,736 |
| Feasibility project grant | 84,551 | - | 84,551 | - | - | 84,551 |
| Loan loss provision | 3,105 | 63,638 | 66,743 | - | - | 66,743 |
| Total Operating Expenses | $209,283 | $ 660,786 | $870,069 | $ 55,917 | $ 106,044 | $ 1,032,030 |

See notes to the financial statements

**Community Capital New York, Inc.**

Statements of Cash Flows

| | Year Ended June 30, 2019 | 2018 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Change in Net Assets | $ 9,608 | $ 937,901 |
| Adjustments to reconcile change in net assets to net cash from operating activities | | |
| Depreciation | 4,184 | 4,185 |
| Amortization | 2,500 | 2,500 |
| Provision for loan loss | 288,150 | 66,743 |
| Changes in operating assets and liabilities | | |
| Grants receivable | (39,967) | 13,249 |
| Restricted cash accounts | (157,496) | (84,835) |
| Loans originated | (2,878,644) | (1,662,850) |
| Repayment of loans | 1,418,110 | 2,350,118 |
| Prepaid expenses | 9,870 | (2,834) |
| Interest recievable | (28,581) | (17,180) |
| Contribution and other receivable | (67,691) | 2,773 |
| Accounts payable and other current liabilities | (37,366) | 43,813 |
| Refundable advances | - | (17,295) |
| Net Cash from Operating Activities | (1,477,323) | 1,636,288 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Proceeds from lines of credit | - | 500,000 |
| Repayment of lines of credit | - | (250,000) |
| Proceeds from notes payable | 833,333 | 535,000 |
| Repayment of notes payable | (519,437) | (263,369) |
| Net Cash from Financing Activities | 313,896 | 521,631 |
| Change in Cash and Cash Equivalents | (1,163,427) | 2,157,919 |
| **CASH AND CASH EQUIVALENTS** | | |
| Beginning of year | 2,692,716 | 534,797 |
| End of year | $ 1,529,289 | $ 2,692,716 |
| **SUPPLEMENTARY CASH FLOW INFORMATION** | | |
| Cash paid for interest | $ 55,530 | $ 59,241 |
| **NONCASH FINANCING TRANSACTIONS** | | |
| Reclassification of Wells Fargo Program Investment to Loan Payable | 350,000 | - |

See notes to financial statements

## 1. Organization

Community Capital New York, Inc. (the "Corporation") was incorporated on March 27, 1989 and was originally known as the Westchester Housing Fund, Inc. The Corporation changed its name in March of 2013. The Corporation is certified by the U.S. Department of Treasury as a Community Development Financial Institution ("CDFI").

*Affordable Housing Program*

The Corporation was originally established to assist in the development of affordable housing. Through the creation of a revolving loan fund supported by corporate and foundation contributions and grants, as well as Program Related Investments ("PRIs"), the Corporation makes loans to both non-profit and for profit developers of affordable housing to close funding "gaps" including pre-development loans and other types of "gap" financing. Predevelopment loans are made for expenses such as appraisals, surveys, soil borings, preliminary architectural and engineering expenses, legal, consulting, and permit fees. Bridge, acquisition and construction loans have also been made. In most cases, loans are repaid upon closing of permanent financing.

The Corporation administers a "Feasibility" loan pool from which developers can borrow to assess the viability of a potential affordable housing project. These loans differ from the regular portfolio in that they may be forgiven by action of the Loan Committee if the project proves to be infeasible.

The Corporation also administers a Lead and Asbestos Program in the City of Newburgh, that includes feasibility loans to test vacant properties to establish the amount of lead and asbestos remediation that is needed and a grant fund from which it makes grants to close the financing gap on those key properties for which the cost of remediation would otherwise be too high. As of June 30, 2019 all funds had been disbursed.

*Small Business Program*

The Small Business program provides loan capital to small start-up and emerging entrepreneurs throughout the Hudson Valley. While the Corporation has equity in the loan pool, the majority of the loan capital is borrowed from Empire State Development Corporation ("ESDC") and the U.S. Small Business Administration ("SBA"). These funds are shown on the statements of financial position as notes payable. As a condition of borrowing, the SBA requires the Corporation to establish and fund a loan loss reserve equal to 15% of the value of the loans made with funds borrowed from them.

Loans are primarily marketed to low-income, women, minority and disabled business owners. In addition to its lending program, the Corporation also provides one-on-one technical assistance to and training workshops for small business owners and potential business owners.

## 2. Summary of Significant Accounting Policies

### *Basis of Presentation and Use of Estimates*

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expense during the reporting periods. Actual results could differ from those estimates.

### *Change in Accounting Principle*

On July 1, 2018, the Corporation adopted new U.S. GAAP guidance regarding the Presentation of Financial Statements for Not-for-Profit Entities. This guidance requires the Corporation to collapse the three-category (unrestricted, temporarily restricted, and permanently restricted) classification of net assets into two categories: with donor restrictions and without donor restrictions. In addition, the new guidance requires the Corporation to make certain expanded disclosures relating to (1) the liquidity of financial assets, and (2) expenses by both their natural and functional classification in one location in the financial statements.

### *Net Asset Presentation*

Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions – net assets available for use in general operations and not subject to donor restrictions. Included in the without donor restrictions net asset category are net assets that are designated by the Board of Directors for activities related to lending but which are not otherwise subject to donor-imposed restriction.

Net Assets With Donor Restrictions – Net assets subject to donor 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.

### *Cash and Cash Equivalents*

The Corporation considers all highly liquid debt instruments with a maturity of three months or less at the time of purchase to be cash equivalents.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Furniture and Equipment*

Furniture and equipment are recorded at cost. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives using the straight-line method. The estimated service lives are three years for computer equipment and five years for general office equipment and furniture. The Corporation capitalizes costs of furniture and equipment in excess of $5,000. Accumulated depreciation was $20,131 and $15,947 at June 30, 2019 and 2018.

### *Network License*

Network license costs for the loan portfolio management system are capitalized and amortized over five years using the straight-line method. Accumulated amortization was $6,250 and $3,750 at June 30, 2019 and 2018.

### *Loans Receivable and Payable*

The Corporation both receives and makes loans with stated rates of interest that vary from the prevailing market rates for commercial loans. The Corporation accounts for these loans at the stated rates. U.S. GAAP guidance generally requires that loans with below market interest rates be stated for financial reporting purposes at amounts that reflect the expected cash flows discounted at market rates. The guidance includes several exceptions to this rule, including the customary lending activities of financial institutions whose primary business is lending money. Management of the Corporation believes that this exception is applicable to the Corporation. Accordingly, the loans have not been discounted.

### *Loan Loss Reserve*

The loan loss reserve represents management's estimates of losses inherent in the loan portfolio. Loan losses are charged against the loan loss reserve when management believes that the future collection of principal is unlikely. The loan loss reserve is established through periodic charges to income. Subsequent recoveries, if any, are credited to the loan loss reserve.

Management's determination of the adequacy of the reserve is based on periodic evaluations of specific borrowers and other relevant factors. Evaluations, using a management established risk rating system, are subjective as they require material estimates including such factors as historical trends, known and inherent risks in the loan portfolio, adverse situations that may affect the borrowers' ability to repay, estimated value of any underling loan collateral, and current economic conditions. Recovery of the carrying value of such loans may be dependent on conditions that may be beyond management's control.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Loan Loss Reserve (continued)*

Any combination of the aforementioned factors may adversely affect the loan portfolio resulting in increased delinquencies and loan losses, and could require additional provisions for bad debts which could adversely impact income in future periods. In the opinion of management, the Corporation has made adequate loss provisions based on all available and relevant information affecting specific borrowers and the overall loan portfolio.

### *Cash Collateral Accounts*

From time to time the Corporation holds funds as collateral against outstanding loans.

### *Income Recognition*

Interest on loans is computed using the effective interest method. Interest earned on loans is considered revenue without donor restriction and can be used for general operations. The Corporation ceases to accrue interest income on specific loans for financial reporting purposes when required payments of principal and/or interest have not been received for a period of more than 90 days. The Corporation reverses any previously recorded unpaid interest.

### *In-kind Contributions*

Contributions of donated non-cash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

### *Allocation of Expenses*

The financial statements report certain categories of expenses that are attributable to one or more program and supporting services of Organization. Therefore, expenses require allocation on a reasonable and consistent basis. The more significant expense allocations include salaries and related personnel costs and occupancy. Personnel costs have been allocated based on estimates of time and effort. Other expenses, such as occupancy are allocated based on the personnel cost allocation percentages.

### *Income Tax Status*

The Corporation is exempt from federal income tax under Section 501(c) (3) of the Internal Revenue Code and is not considered a private foundation within the meaning of Section 509 (a) of the Internal Revenue Code.

## 2. Summary of Significant Accounting Policies *(continued)*

### *Income Tax Status (continued)*

The Corporation recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Corporation had no uncertain tax positions that would require financial statement recognition or disclosure. The Corporation is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2016.

### *Reclassifications*

Certain amounts in the June 30, 2018 financial statements have been reclassified to conform with the June 30, 2019 financial statement presentation.

### *Subsequent Events*

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date the financial statements were available to be issued, which date is September 26, 2019.

## 3. Concentration of Credit Risk

Financial instruments which potentially subject the Corporation to concentrations of credit risk consist primarily of cash and cash equivalents and loans receivable.

The Corporation has funds on deposit in checking accounts, savings accounts and money market accounts with major financial institutions. At times some of these accounts may be in excess of the federally insured limits. The Corporation has not experienced any losses on its cash and cash equivalents.

The Corporation’s loans receivable are primarily to developers of affordable housing and to small business owners. The ability of these borrowers to repay their loans may be affected by adverse economic conditions or other financial constraints.

## 4. Loans Receivable

Loans receivable consist of one to five year loans to qualified developers that promote the purpose of providing affordable housing in the lower Hudson Valley region and the business loan portfolio which includes loans for start-up and emerging businesses in the Hudson Valley region. In addition, some loans have been made to not for profit businesses which are included in the business loan data.

## 4. Loans Receivable *(continued)*

For affordable housing and business loans, interest rates vary from 0% to 9.25% per annum. For consumer loans interest rates are set at 6%. Feasibility loans carry no interest.

| Borrower | Current Receivable | Long Term Receivable | Balance as of June 30, 2019 | Balance as of June 30, 2018 |
|---|---|---|---|---|
| Feasibility Loans | $ 51,500 | $ - | $ 51,500 | $ 14,100 |
| Affordable Housing Loans | 1,872,475 | 778,560 | 2,651,035 | 1,543,033 |
| Consumer Loans | 1,946 | - | 1,946 | 2,810 |
| Business Loan Program | 395,111 | 935,564 | 1,330,675 | 1,211,995 |
| Gross Loans Receivable | 2,321,032 | 1,714,124 | 4,035,156 | 2,771,938 |
| Less Loan loss reserve | (359,236) | (265,304) | (624,540) | (533,706) |
| Net Loans Receivable | $ 1,961,796 | $ 1,448,820 | $ 3,410,616 | $ 2,238,232 |

Scheduled collection on the outstanding loans, before application of loan loss reserve, to be received at June 30, 2019 is as follows:

| | |
|---|---|
| 2020 | $ 2,321,032 |
| 2021 | 1,118,544 |
| 2022 | 319,040 |
| 2023 | 193,182 |
| 2024 | 83,358 |
| | $ 4,035,156 |

The following table presents information regarding the Corporation's nonaccrual loans as of June 30,

| | 2019 | 2018 |
|---|---|---|
| Business Loan Program | $ 29,167 | $ 30,386 |

As of June 30, 2019, there was approximately $2,077,189 of unfunded commitments to borrowers.

### *Loan Loss Reserve*

The Corporation uses a combination of a loan-by-loan portfolio analysis as well as a more global review of the portfolios and the effect of external economic conditions, risk concentration, industry concentrations and other relevant factors to estimate the loan loss reserve. When deemed necessary, a specific reserve will be assigned to loans that are assessed as being at higher risk.

## 4. Loans Receivable *(continued)*

### *Loan Loss Reserve (continued)*

Changes in the allowance for loan losses are summarized as follows for the years ended June 30:

| | 2019 | | | |
|---|---|---|---|---|
| | Affordable Housing Portfolio | Business Loan Portfolio | Total | 2018 Total |
| Balance, beginning of year | $ 239,786 | $ 293,920 | $ 533,706 | $ 550,845 |
| Current year write-offs | (11,600) | (188,980) | (200,580) | (83,882) |
| Current year provision | 7,469 | 280,681 | 288,150 | 66,743 |
| Current year recoveries | - | 3,264 | 3,264 | - |
| Balance, end of year | $ 235,655 | $ 388,885 | $ 624,540 | $ 533,706 |

## 5. Restricted Cash

The SBA requires the Corporation to maintain separate cash accounts for loan loss reserve and administration. The amount of cash that is restricted for loan loss reserve is required to be the equivalent of 15% of the outstanding loan receivable balances funded through SBA borrowings. The restricted cash set aside for the loan loss reserve requirement was $302,217 at June 30, 2019 and $272,368 at June 30, 2018.

The administrative bank accounts are the accounts through which SBA lending facility advances are received, loan receivable principal and interest payments are recorded and repayments of SBA borrowings are made. The balances of these restricted accounts were $862,691and $1,126,910 at June 30, 2019 and 2018.

## 5. Restricted Cash *(continued)*

The ESDC requires the Corporation to maintain separate cash accounts for the following:

1. In its capacity as administrator of the Capital Access Program and Metropolitan Economic Revitalization Fund ("MERF"), for loan loss reserve, the amount of cash that is restricted for loan loss reserve is required to be the equivalent of 3-10% of the outstanding loan receivable balances of small businesses participating in these programs. The restricted cash set aside for the loan loss reserve requirements was $323,357 and $301,549 at June 30, 2019 and 2018.

2. In its capacity as administrator of the Small Business Revolving Loan Fund (see Note 9): the balance of this restricted account was $570,413 and $677,836 at June 30, 2019 and 2018.

3. In connection with the Consolidated Funding Award and related Revolving Loan Fund: the balance of this restricted account was $- and $28,995 at June 30, 2019 and 2018.

4. In connection with the Regional Revolving Loan Trust Fund Award and related Revolving Loan Fund: the balance of this restricted account was $173,815 and $0 at June 30, 2019 and 2018.

5. In its capacity as administrator of the MERF, for loan capital (see Note 9): the balance of this restricted account was $333,590 and $0 at June 30, 2019 and 2018.

The loan payable from Wells Fargo Bank, formally the Program Related Investment ("PRI") requires the Corporation to maintain a separate cash account for the loan capital fund established to promote affordable housing (see Note 8). The balance of this restricted account was $50,828 and $50,867 at June 30, 2019 and 2018.

The revolving line of credit established with The Westchester Bank in January 2015 requires the Corporation to maintain a separate cash account for the purposes of disbursing loan proceeds and repayment of principal and interest to the bank. The balance of this restricted account was $33,120 and $46,405 as of June 30, 2019 and 2018.

The revolving line of credit established with Tompkins Mahopac Bank in October 2016 requires the Corporation to maintain a separate cash account for the purposes of disbursing loan proceeds and repayment of principal and interest to the bank. The balance of this restricted account was $31,667 and $19,272 as of June 30, 2019 and 2018.

## 6. Liquidity and Availability

Financial assets available for general expenditure, that is, without restrictions limiting their use, within one year of June 30, 2019 are as follows:

| | |
|---|---|
| Financial assets: | |
| Cash and cash equivalents | $ 1,529,289 |
| Cash collateral accounts | 18,350 |
| Restricted cash | 2,681,698 |
| Contributions and other receivable | 70,000 |
| Grants receivable | 295,433 |
| Loand receivable, net | 3,410,616 |
| Interest receivable | 60,861 |
| Total financial assets | 8,066,247 |
| Less those unavailable for general expenditure within one year, due to: | |
| Board designations: | |
| Board designated for loan loss reserve | 105,782 |
| Board designated for loan fund capital | 1,143,784 |
| Contractual or donor imposed restricted amounts: | |
| Loans receivable, net due for collection after June 30, 2020 | 1,448,820 |
| Cash collateral accounts | 18,350 |
| Cash required to be held in separate accounts or restricted for a specific purpose | 2,681,698 |
| Restricted by donor with time or purpose restrictions | 691,291 |
| | 6,089,725 |
| Financial asset available to meet general expenditures over the next twelve months | $ 1,976,522 |

The Corporation manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. It is the Corporation's policy to maintain adequate cash balances to meet 90 days of operating expenses and 90 days of unfunded loan commitments.

## 7. Lines of Credit

Outstanding balances on the Corporation's available lines of credit at June 30, are:

| | 2019 | 2018 |
|---|---|---|
| $150,000 revolving line of credit with Key Bank, annualized interest rate charged on borrowings is 3% and the line is payable on demand. | $ 149,006 | $ 149,006 |
| $500,000 revolving line of credit with The Westchester Bank, annualized interest rate charged on borrowings is 3% and the line expires in January 2021. | 450,000 | 450,000 |
| $400,000 revolving line of credit with Signature Bank, annualized interest rate charged on borrowings is 3%. The line expires on December 31, 2020. | 225,000 | 225,000 |
| $250,000 revolving line of credit with Tompkins Mahopac Bank, annualized interest rate charged on borrowing of 3%. The line expires in October 2020. | 250,000 | 250,000 |
| $250,000 revolving line of credit with Apple Bank, annualized interest rate charged on borrowing of 2%. The line expires on December 31, 2024. | - | - |
| $1,000,000 revolving line of credit with TD Bank, annualized interest rate charged on borrowing of 3.5%. The line expires on December 19, 2021. | - | - |
| Total | $ 1,074,006 | $ 1,074,006 |

## 8. Program Related Investment ("PRI")

In 2012, the Corporation received approval for a PRI from Wells Fargo Bank in the amount of $350,000 for a term of ten years, at 2% interest, to be used to promote affordable housing in the Hudson Valley. The balance outstanding at June 30, 2018 was $350,000 and was payable May 16, 2021. In July 2018, the Corporation was notified by Wells Fargo Bank that it had determined for accounting purposes, the PRI will be classified as a loan rather than an investment product. There were no changes to the terms of the agreement. The Corporation has made the reclassification – see Note 9.

## 9. Notes Payable

The Corporation had the following notes payable as of June 30,

| | 2019 | 2018 |
|---|---|---|
| Note payable to SBA in the amount of $500,000. Payments were as follows: Interest accrued during the first year was divided into 108 equal installments and added to the calculated payments of principal and interest during the 13th through the 120th month of the note, due July 1, 2019. Interest was calculated at a current rate of .50% (1.75% less 1.25% buy down). Monthly principal and interest payments were $4,743. The note was paid off in fiscal year 2019. | $ - | $ 56,650 |
| Note payable to SBA in the amount of $750,000. Payments were as follows: Interest accrued during the first year was divided into 108 equal installments and added to the calculated payments of principal and interest during the 13th through 120th month of the note, due October 6, 2021. Interest was calculated at a current rate of .625% (1.875% less 1.25% buy down based on the portfolio performance). Monthly principal and interest payments were $7,604. The note was paid off in fiscal year 2019. | - | 292,817 |
| Note payable to SBA in the amount of $1,000,000. Payments are as follows: Interest accrued during the first year was divided into 108 equal installments and added to the calculated payments of principal and interest during the 13th through the 120th month of the note, due July 11, 2024. Interest is calculated at a current rate of .375% (1.625% less 1.25% buy down). Monthly principal and interest payments are $10,099. The note is secured by funds held (see Note 5) and a lien on the loans receivable arising under the Microloan Program. | 609,382 | 727,879 |
| Note payable to SBA in the amount of $1,000,000. Payments are as follows: Interest accrued during the first year was divided into 108 equal installments and added to the calculated payments of principal and interest during the 13th through the 120th month of the note, due June 22, 2027. Interest is calculated at a current rate of .75% (2.00% less 1.25% buy down). Monthly principal and interest payments of $4,814 began in August 2018. The note is secured by funds held (see Note 5) and a lien on the loans receivable arising under the Microloan Program. | 948,527 | 500,000 |

## 9. Notes Payable *(continued)*

| | 2019 | 2018 |
|---|---|---|
| Note payable to ESDC in a maximum amount up to $1,200,000. Payments are as follows: Interest only is payable semi-annually on June 30 and December 31 on the unpaid principal balance following initial disbursement and ended on March 31, 2019. Interest is calcualted at a current rate of 1% per annum. Annual principal installments in an amount equal to 33.33% of the principal outstanding are due March 31, 2020 and 2021 with a final payment due on March 31, 2022. The note is secured by funds held (see Note 5) and the loans receivable under the Microloan Program. | $ 835,358 | $ 835,358 |
| Note payable to the Dominican Sisters of Hope in the amount of $35,000. Payments are as follows: Interest only is payable quarterly on March 31, June 30, September 30 and December 31. Principal is due at maturity which is January 11, 2020. Interest is calculated at .5% per annum. | 35,000 | 35,000 |
| Note payable to ESDC in a maximum amount up to $1,000,000. Payments are as follows: Interest only is payable semi-annually on June 30 and December 31 on the unpaid principal balance following initial disbursement and ends on February 1, 2024. After the initial five year term, the Corporation may fully amortize the loan for five years ending on February 1, 2029. Interest is calculated at a current rate of 1% per annum. The note is secured by funds held (see Note 5) and the loan receivable under the Microloan Program. | 333,333 | - |
| Note payable to Wells Fargo Bank in the amount of $350,000. Payments are as follows: interest only is payable on a monthly. Principal is due at maturity which is May 16, 2021. Interest is calculated at 2% per annum. (see Note 8). | 350,000 | - |
| | 3,111,600 | 2,447,704 |
| Less: current portion | 269,474 | 319,360 |
| Long-term debt | $ 2,842,126 | $ 2,128,344 |

## 9. Notes Payable *(continued)*

Minimum future principal payments of all notes payable are as follows:

| | |
|---|---|
| 2020 | $ 269,474 |
| 2021 | 864,332 |
| 2022 | 515,657 |
| 2023 | 517,074 |
| 2024 | 276,495 |
| Thereafter | 668,568 |
| | $ 3,111,600 |

## 10. Net Assets With Donor Restrictions

Net assets released from restriction during the years ended June 30, were as follows:

| | 2019 | 2018 |
|---|---|---|
| Loan fund capital | $ 725,662 | $ 237,145 |
| Loan loss reserve | 72,551 | 72,522 |
| Technical assistance | 781,635 | 594,410 |
| | $ 1,579,848 | $ 904,077 |

## 11. In-Kind Contributions

In-kind contributions are comprised of consulting services, and donated goods, which are reflected in the accompanying financial statements as in-kind contributions revenue, in-kind consulting fees, office expense and additions to furniture. The value of these goods and services for the years ended June 30, 2019 and 2018 totaled $10,210 and $4,200.

## 12. Lease Obligations

During 2017 the Corporation entered into a lease for office space located in Elmsford, New York expiring on December 31, 2021. The future minimum lease payments due under this lease are as follows:

| | |
|---|---|
| 2020 | $ 32,154 |
| 2021 | 33,280 |
| 2022 | 16,926 |
| | $ 82,360 |

Expenses under these leases for the years ending June 30, 2019 and 2018 totaled $31,066 and $30,016.

## 13. Retirement Plan

The Corporation established a 403(b) Defined Contribution Retirement Plan (the "Plan") effective in 2007. All employees are eligible to participate. Under the Plan, a participant may elect to defer pre-tax salary into the Plan. The Corporation makes matching contributions, only to full-time employees who work 30 hours or more per week, at a one-to-one match for the first 3% of a participant's salary and a .5-to-one match for the next 2% of a participant's salary. All contributions by participants and employer are immediately 100% vested. The Corporation contributed $18,787 and $17,033 in 2019 and 2018. The Plan is administered by a third party.

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