



West Harlem Development Corporation
Solutions through collaborations™

Financial Statements

For the year ended December 31, 2014

Reviewed by Independent Certified Public Accountants

WEST HARLEM DEVELOPMENT CORPORATION

Contents

December 31, 2014

	Page
Independent Accountant’s Review Report.....	1
Statement of Financial Position.....	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows.....	5
Notes to Financial Statements.....	6-14

N. CHENG & CO. P.C.
Certified Public Accountants

40 Wall Street
Suite 3222
New York, New York 10005
Voice (212) 785.0100
Fax (212) 785.9168
www.ncheng.com



Independent Accountants' Review Report

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

We have reviewed the accompanying statement of financial position of West Harlem Development Corporation (WHDC) as of December 31, 2014, and the related statements of activities and cash flows for the year then ended. A review includes primarily applying analytical procedures to management's financial data and making inquiries of WHDC management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.

Our responsibility is to conduct the review in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. We believe that the results of our procedures provide a reasonable basis for our report.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with accounting principles generally accepted in the United States of America.

N. Cheng & Co., P.C.

New York, New York
December 7, 2015

WEST HARLEM DEVELOPMENT CORPORATION

Statement of Financial Position

As of December 31, 2014

Assets

Current assets

Cash and cash equivalents – Note 4	\$ 13,798,386
Short-term investments –Note 3	1,508,266
Benefits fund receivable – Note 7	5,000,000
Prepaid expenses	<u>6,973</u>
Total current assets	<u>20,313,625</u>

Non-current assets

Benefits fund receivable, net of discount of \$7,384,399 – Note 7	50,365,601
Fixed assets net of accumulated depreciation of \$44,049 – Note 5	16,461
Deposit	<u>14,462</u>
Total non-current assets	<u>50,396,524</u>

Total assets	<u>\$ 70,710,149</u>
--------------	----------------------

Liabilities and Net Assets

Current liabilities

Grants payable	\$ 1,000,000
Accounts payable and accrued expenses	<u>232,323</u>
Total current liabilities	1,232,323

Net assets

Temporarily restricted - Note 2	<u>69,477,826</u>
Total liabilities and net assets	<u>\$ 70,710,149</u>

See accompanying notes to financial statements.

WEST HARLEM DEVELOPMENT CORPORATION**Statement of Activities**

For the year ended December 31, 2014

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>Total</u>
Support			
Contributions		\$ 10,058,607	\$ 10,058,607
Interest and dividends		10,132	10,132
In-kind – Note 8		76,723	76,723
Net assets released from restrictions	\$ 3,420,126	(3,420,126)	
Total Support	<u>3,420,126</u>	<u>6,725,336</u>	<u>10,145,462</u>
Expenses			
Program services expense	3,141,187		3,141,187
Management and general	264,198		264,198
Fund raising	<u>14,741</u>		<u>14,741</u>
Total Expenses	<u>3,420,126</u>		<u>3,420,126</u>
Change in Net Assets before adjustment for receivable discount rate		6,725,336	6,725,336
Adjustment for receivable discount		<u>4,310,090</u>	<u>4,310,090</u>
Change in Net Assets		11,035,426	11,035,426
Net Assets, Beginning of Year		<u>58,442,400</u>	<u>58,442,400</u>
Net Assets, End of Year	<u>\$ -</u>	<u>\$ 69,477,826</u>	<u>\$ 69,477,826</u>

See accompanying notes to financial statements.

WEST HARLEM DEVELOPMENT CORPORATION**Statement of Functional Expenses**

For the year ended December 31, 2014

	<u>Program services</u>	<u>Management and general</u>	<u>Fund raising</u>	<u>Total</u>
Grants to nonprofits	\$ 2,000,000			\$ 2,000,000
Youth development	330,074			330,074
Seniors employment	217,152			217,152
Community & grantee meetings	25,191			25,191
Technical assistance to grantees	12,261			12,261
Personnel expenses	365,460	\$ 110,074	\$ 11,115	486,649
Professional consultants, including in-kind - Note 8	15,898	67,787	482	84,167
Occupancy costs, including in-kind - Note 8	63,093	18,996	1,913	84,002
Office supplies & copying	9,199	2,770	279	12,248
Telecommunication & postage	5,670	1,707	172	7,549
Equipment lease & licenses	4,767	1,435	145	6,347
Liability insurance	3,253	980	99	4,332
Conferences & meetings	4,352	1,310	132	5,794
Fees & other expenses	1,441	433	44	1,918
Depreciation & amortization	11,862	3,572	360	15,794
Fiscal sponsor fees	71,514	55,134		126,648
	<u>\$ 3,141,187</u>	<u>\$ 264,198</u>	<u>\$ 14,741</u>	<u>\$ 3,420,126</u>
Total expenses by function				
Allocated functional expense				
As a percentage of total – Note 10	91.84%	7.72%	0.43%	100%

See accompanying notes to financial statements.

WEST HARLEM DEVELOPMENT CORPORATION**Statement of Cash Flows**

For the year ended December 31, 2014

Cash flows from operating activities

Change in net assets	\$ 11,035,426
Adjustment to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	15,794
Change in benefits fund receivable	(810,090)
Change in prepaid expenses	(5,422)
Change in deposits	(489)
Change in grants payable	264,900
Change in accounts payable and accrued liabilities	<u>184,970</u>
Net cash provided by operating activities	<u>10,685,089</u>
Cash flows from investment activities	
Purchase of short-term investments	(<u>1,508,266</u>)
Net cash (used by) investment activities	(<u>1,508,266</u>)
Net increase in cash and cash equivalents	9,176,823
Cash and Cash Equivalents, beginning of year	<u>4,621,563</u>
Cash and cash equivalents, end of year	<u>\$ 13,798,386</u>

See accompanying notes to financial statements.

WEST HARLEM DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2014

Note 1 Organization

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

The purposes of WHDC include implementing the CBA by providing and supporting programs which 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 the geographic area known as West Harlem, legally defined as Manhattan Community District 9 (MCD9). The boundaries of MCD9 are defined as: South to North from 110th street to 155th street; East to West from Manhattan, Morningside, St. Nicholas, Bradhurst, and Edgecombe Avenues to the Hudson River. In January 2015, the board of directors of WHDC strategically decided to focus on education (and youth development), workforce and economic development, and affordable housing. The 2009 CBA contains the following commitments from Columbia University totaling \$150 million in cash and in kind:

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

WHDC has chosen to fulfill its obligations through making grants to nonprofit organizations who provide the services itemized in the CBA and selected as priorities to the residents of MCD9.

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).

WEST HARLEM DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2014

Note 2 Significant accounting policies

Fiscal sponsor: The CBA contains a requirement that Columbia University makes annual installment payments of the benefits fund to WHDC as successor to WHLDC through a fiscal sponsor. On December 7, 2012, WHDC entered into an MOU with Tides Center and Tides Foundation (collectively known as Tides) whereby Tides serves as the fiscal sponsor. Under this arrangement, WHDC does not maintain a bank account as Tides makes vendor payments as approved by WHDC, and WHDC's personnel are deemed employees of Tides. WHDC has thus not had the responsibility to file IRS Form 990. For its services, Tides Center charges WHDC 9% of the dollar volume of disbursements processed and paid for WHDC's operational expenditures. In addition, Tides Foundation charges WHDC 3% of the dollar volume of grants processed and paid on behalf of WHDC.

Basis of accounting. The financial statements have been prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America as applicable to not-for profit entities. They have been prepared as if WHDC was on its own and separate from its fiscal sponsor.

Support. Contributions received and unconditional promises to give are measured at their fair values and are reported as an increase in net assets. Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activity as net assets released from restrictions.

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

Gifts of goods and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. In the absence of explicit donor stipulations about how long those long-lived assets must be maintained, WHDC reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

WEST HARLEM DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2014

Note 2 Significant accounting policies - (continued)

Cash and cash equivalents. Cash and cash equivalents consist of cash held in checking, money market accounts and cash management in investment account.

Concentrations of revenue. WHDC provides various social services for the benefits of the residents of MCD9, and nearly 100% of its revenue comes from contributions from Columbia University as a consequence of the May 18, 2009 CBA. The future value of the Benefits fund was \$76 million payable over 16 years at the date of the CBA in 2009. As of December 31, 2014, the future value of the Benefits funds installments was \$62,750,000 with Columbia University having paid \$13,250,000 to WHDC. In addition, in 2014, WHDC received from New York City Department of Law, the first of two installment payments for the Affordable Housing fund of \$10,000,000 plus interest of \$18,607 for a total transfer from escrow to WHDC's fiscal sponsor, Tides Foundation, of \$10,018,607.

Concentrations of credit and market risk. Financial instruments that potentially expose \$14,806,652 to concentrations of credit and market risk consist primarily of cash and investments. Cash is maintained at one of the nation's largest banks; investments consist of a U.S. Government money market funds; mutual funds; interests in long/short domestic equity funds, global long/short credit and event driven funds, Asia and emerging markets funds, and a diversified portfolio of common stocks - all of which are managed by professional investment advisors. Management understands the risks implicit in investing and believes that, with the guidance of the Investment Committee of the Board of Directors, the oversight of WHDC's fiscal sponsor, Tides Foundation, and the consultation by the brokerage advisor with respect to managing and investing of the assets, appropriate oversight is being exercised and WHDC's diverse portfolio carries a reasonable overall level of risk.

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

Fixed assets. Depreciation of fixed assets and amortization of software are provided over the estimated useful lives of the respective assets or life of the license whichever is shorter on a straight-line method as follows:

	<u>Estimated life</u>
Office equipment	5 years
Office furniture	5 years
Software	3 - 5 years

WEST HARLEM DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2014

Note 2 Significant accounting policies - (continued)

Allowance for doubtful accounts. Management has determined that no allowance for uncollectible accounts for accounts receivable or contributions receivable is necessary as of December 31, 2014. Such determination is based on management's assessments of the creditworthiness of its donors, the age of its receivables, as well as current economic conditions and historical information.

Net assets. As required by the Not-for-Profit Entities topic of the FASB accounting codification 958.210.45-9 and 958.210.45-10 "Classification of Net Assets", the \$69,477,825 Net Assets of WHDC as of December 31, 2014 are all classified as Temporarily Restricted by program and time and comprise the following designations:

Allocations of net assets from Benefits Fund:

Benefits Fund receivable	\$ 55,365,601
Grant/Manhattanville housing allocation	437,273
Short-term investments	1,508,266
Operating Activities	<u>2,146,212</u>
Net assets from Benefits Fund	59,457,352
Net assets from Affordable Housing Fund	<u>10,020,474</u>
Total temporarily restricted net assets	<u>\$ 69,477,826</u>

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

Functional allocation of expenses. The cost of providing the various programs and supporting services has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services in reasonable ratios determined by management.

Income taxes. WHDC had no uncertain tax positions as of December 31, 2014, in accordance with Accounting Standards Codification ("ASC") Topic 740, Income Taxes, which provides standards for establishing and classifying any tax provision for uncertain tax positions.

WEST HARLEM DEVELOPMENT CORPORATION
Notes to Financial Statements
December 31, 2014

Note 2 Significant accounting policies - (continued)

Subsequent events. WHDC has evaluated its financial statements for potential recognition or disclosure through December 7, 2015, which is the date the financial statements were available to be issued. WHDC has determined that there are no subsequent events that require additional recognition or disclosure in the financial statements.

Note 3 Fair value measurement

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described below as follows:

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

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in inactive 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 asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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 maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014.

Common stocks: Valued at the daily closing price reported on the active market on which the individual securities are traded.

WEST HARLEM DEVELOPMENT CORPORATION
Notes to Financial Statements
December 31, 2014

Note 3 Fair value measurement - (continued)

The following tables set forth by level, within the fair value hierarchy, the investments at fair value as of December 31, 2014:

	Level 1
<u>Investment assets at December 31, 2014</u>	
Cash and cash equivalents	\$ 13,798,386
Equity (domestic/global)	<u>1,508,266</u>
Total Investments	<u>\$ 15,306,652</u>
Dividends and interest	<u>\$ 10,132</u>

Note 4 Cash and cash equivalents

As of December 31, 2014 the total of cash and cash equivalents comprised of the following balances, all of which, with the exception of \$ 250 of petty cash, were maintained in bank accounts under the management of the fiscal sponsor – Tides:

Benefits fund cash and cash & cash equivalents balance	\$ 3,777,912
Affordable housing fund cash & cash equivalents balance	<u>10,020,474</u>
Total cash and cash equivalents	<u>\$ 13,798,386</u>

Note 5 Fixed assets

Office equipment	\$ 25,326
Office furniture	27,184
Software	<u>8,000</u>
Total Fixed Assets	60,510
Less: accumulated depreciation and amortization	<u>(44,049)</u>
Net fixed assets	<u>\$ 16,461</u>

WEST HARLEM DEVELOPMENT CORPORATION
Notes to Financial Statements
December 31, 2014

Note 6 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: 100% of the first 1% of the employee contribution, and 50% of the next 5%. The plan includes an automatic enrollment feature whereby 3% of the salaries of eligible employees are automatically deferred and increases 1% annually until a cap of 6% is reached for pre-tax salary deferral. Pension expense for the year ended December 31, 2014 amounted to \$7,854. The vesting schedule of employer contributions is:

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

Note 7 Benefit fund contributions receivable

Unconditional promises to give are recorded at the present value of their estimated future cash flows. In determining the present value of the expected future cash flows of the benefits fund contributions payable in installments by Columbia University over the next ten years, a discount rate of 1.027% representing a 10-year Treasury bill yield was applied to the long term receivable at December 31, 2014.

	<u>Amount</u>
Amounts due within one year	\$ 5,000,000
Amount due in two to 10 years	<u>57,750,000</u>
Total receivables	62,750,000
Less: discount	<u>(7,384, 399)</u>
Total receivables net of discount	<u>\$ 55,365,601</u>

As of December 31, 2014, the \$55,365,601 of contributions receivable is temporarily restricted. Management expects all commitments from Columbia University to be fully collected and, accordingly, no allowance for doubtful commitments has been provided.

WEST HARLEM DEVELOPMENT CORPORATION
Notes to Financial Statements
December 31, 2014

Note 8 In-kind

In-kind contributions are recorded as income and expenses at the time the items are received, which is also the time they are placed into service or distributed. Donated services are reported as income at their fair value if such services create or enhance non-financial assets or would have been purchased if not provided by donations. The CBA contains a provision for Columbia University to provide \$20 million of in-kind services and amenities to MCD9 through requests from WHDC. Through December 31, 2014, WHDC has requested a total of \$67,773 leaving an unclaimed balance of in-kind services and amenities of \$19,932,227. Due to the uncertainty of the realization of the services, which are contingent upon timing, location and approval of Columbia University, the unclaimed balance has not been recorded in the financials. The current year's in-kind is shown as both revenue and expense in the financial statements.

Total in-kind contribution for the year is as follows:

Year ending December 31, 2014	
Use of facilities of Columbia University	\$ 13,723
Legal services	<u>63,000</u>
Total in-kind	<u>\$ 76,723</u>
Columbia University Unclaimed in-kind balance	
Original commitment	\$ 20,000,000
Claimed by WHDC through 12/31/2013	54,050
Claimed in 2014	<u>13,723</u>
Total claimed as of 2014	<u>67,773</u>
Unclaimed Columbia University in-kind balance	<u>\$ 19,932,227</u>

Note 9 Commitments

WHDC leases its office space that will expire on June 18, 2022. The minimum future commitment is as follows:

Year ending December 31,	
2015	\$ 59,027
2016	61,093
2017	68,266
2018	74,252
2019	76,851
2020	79,540
2021	82,324
2022	<u>38,967</u>
Total	<u>\$ 540,320</u>

WEST HARLEM DEVELOPMENT CORPORATION

Notes to Financial Statements

December 31, 2014

Note 10 Percentages of functional expenses

On December 18, 2012 West Harlem Local Development (WHLDC) the predecessor organization of WHDC, entered into an Assurance of Discontinuance (AOD) with the Office of the Attorney General of the State of New York. Item 14 of the AOD requires that “on a fiscal-year basis, the Organization will make at least eighty-five percent (85%) of its expenditures in the form of direct grants of CBA funds or other program expenses”. For the year ended December 31, 2014 WHDC’s direct grants from the CBA’s Benefits fund and other allocated program expenses comprised ninety one and 84/100 percent (91.84%) of total organizational expenses.