

**BEDFORD STUYVESANT RESTORATION
CORPORATION**

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY REPORTS
RELATED TO UNIFORM GUIDANCE**

JUNE 30, 2019 AND 2018

**WATSONRICE LLP
CERTIFIED PUBLIC ACCOUNTANTS**

**BEDFORD STUYVESANT RESTORATION CORPORATION
 JUNE 30, 2019 AND 2018**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bedford Stuyvesant Restoration Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Bedford Stuyvesant Restoration Corporation, which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT – CONTINUED

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bedford Stuyvesant Restoration Corporation as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and other supplementary information on pages 34 to 37, as required by the New York State Division of Housing and Community Renewal and Human Resources Administration, are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2020 on our consideration of Bedford Stuyvesant Restoration Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Bedford Stuyvesant Restoration Corporation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bedford Stuyvesant Restoration Corporation's internal control over financial reporting and compliance.

Watson Rice LLP

New York, New York
September 29, 2020

BEDFORD STUYVESANT RESTORATION CORPORATION
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
Assets		
<u>Current Assets</u>		
Cash and cash equivalents (Note 3)	\$ 461,724	\$ 640,702
Investments (Note 4)	-	16,066
Grants and contracts receivable	2,777,223	2,368,525
Rent receivable - net	209,498	115,571
Other receivable	825,816	440,515
Prepaid expenses and other current assets	192,417	156,921
Deferred costs (Note 6)	74,533	187,355
Total Current Assets	<u>4,541,211</u>	<u>3,925,655</u>
<u>Restricted Deposits and Funded Reserves</u>		
Escrow deposits	60,577	87,492
Tenants security deposit	28,940	28,540
Other deposits	79,618	79,833
Total Restricted Deposits and Funded Reserves	<u>169,135</u>	<u>195,865</u>
<u>Property, Equipment and Furniture</u>		
Property, equipment and furniture - net (Note 5)	<u>8,324,446</u>	<u>8,886,608</u>
<u>Other Non-Current Assets</u>		
Assigned seller's note receivable (Note 7)	12,940,706	13,285,229
Notes receivable (Note 8)	11,527,635	11,527,635
Interest receivable - assigned seller's note and notes receivable (Notes 7 and 8)	3,433,818	2,928,357
Due from affiliates (Note 9)	672,779	1,265,407
Total Other Non-Current Assets	<u>28,574,938</u>	<u>29,006,628</u>
Total Assets	<u>\$ 41,609,730</u>	<u>\$ 42,014,756</u>
Liabilities and Net Assets		
<u>Current Liabilities</u>		
Accounts payable and accrued expenses (Note 10)	\$ 2,596,565	\$ 2,421,636
Refundable advances and deferred revenues - current portion (Note 11)	1,094,033	688,880
Loan payable - Credit line (Note 12)	2,000,000	1,977,918
Other current liabilities	233,271	142,835
Total Current Liabilities	<u>5,923,869</u>	<u>5,231,269</u>
<u>Other Liabilities</u>		
Due to affiliates (Note 9)	2,648,380	2,290,136
Deferred revenues - non-current portion (Note 11)	2,301,510	2,425,916
Deferred compensation liability (Note 14)	300,000	260,000
Escrow deposits	60,577	87,492
Tenants security deposit	28,940	28,540
Total Other Liabilities	<u>5,339,407</u>	<u>5,092,084</u>
Total Liabilities	<u>11,263,276</u>	<u>10,323,353</u>
<u>Net Assets</u>		
Net Assets Without Donors Restrictions (Note 13)	<u>30,346,454</u>	<u>31,691,403</u>
Total Liabilities and Net Assets	<u>\$ 41,609,730</u>	<u>\$ 42,014,756</u>

See notes to financial statements.

BEDFORD STUYVESANT RESTORATION CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues and Support			
Program income	\$ 55,535	\$ -	\$ 55,535
Fees income	1,432,191	-	1,432,191
Fundraising income	700,885	-	700,885
Private grants and contributions	209,933	1,779,096	1,989,029
Rental income	2,147,576	-	2,147,576
Government grants and contracts	-	4,709,237	4,709,237
Other income	300,682	-	300,682
Board designated revenues used for operations (Note 13)	1,300,000	-	1,300,000
Net assets released from restrictions	<u>6,488,333</u>	<u>(6,488,333)</u>	<u>-</u>
Total Operating Revenues and Support	<u>12,635,135</u>	<u>-</u>	<u>12,635,135</u>
Operating Expenses			
<u>Program Services</u>			
Commercial revitalization and asset management	3,473,567	-	3,473,567
Energy conservation	1,590,539	-	1,590,539
Arts and education	1,577,803	-	1,577,803
Economic development	<u>4,235,703</u>	<u>-</u>	<u>4,235,703</u>
Total program services	<u>10,877,612</u>	<u>-</u>	<u>10,877,612</u>
<u>Support Services</u>			
Fundraising/development	346,291	-	346,291
Management and general	<u>1,962,055</u>	<u>-</u>	<u>1,962,055</u>
Total support services	<u>2,308,346</u>	<u>-</u>	<u>2,308,346</u>
Total Operating Expenses	<u>13,185,958</u>	<u>-</u>	<u>13,185,958</u>
Operating expenses in excess of operating revenues and support	(550,823)	-	(550,823)
Interest income	505,753	-	505,753
Dividend income	121	-	121
Board designated revenues used for operations (Note 13)	<u>(1,300,000)</u>	<u>-</u>	<u>(1,300,000)</u>
Changes in Net Assets	(1,344,949)	-	(1,344,949)
Net Assets, Beginning of Year	<u>31,691,403</u>	<u>-</u>	<u>31,691,403</u>
Net Assets, End of Year	<u>\$ 30,346,454</u>	<u>\$ -</u>	<u>\$ 30,346,454</u>

See notes to financial statements.

BEDFORD STUYVESANT RESTORATION CORPORATION
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018 (RESTATED)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Operating Revenues and Support			
Program income	\$ 88,258	\$ -	\$ 88,258
Fees income	2,291,341	-	2,291,341
Fundraising income	1,140,916	-	1,140,916
Private grants and contributions	140,187	1,453,498	1,593,685
Rental income	2,055,490	-	2,055,490
Government grants and contracts	-	4,216,620	4,216,620
In-kind contributions	92,564	-	92,564
Other income	428,232	-	428,232
Board designated revenues used for operations (Note 13)	2,600,000	-	2,600,000
Net assets released from restrictions	5,670,118	(5,670,118)	-
Total Operating Revenues and Support	<u>14,507,106</u>	<u>-</u>	<u>14,507,106</u>
Operating Expenses			
<u>Program Services</u>			
Commercial revitalization and asset management	4,221,256	-	4,221,256
Energy conservation	1,396,567	-	1,396,567
Arts and education	1,569,064	-	1,569,064
Economic development	4,431,611	-	4,431,611
Total program services	<u>11,618,498</u>	<u>-</u>	<u>11,618,498</u>
<u>Support Services</u>			
Fundraising/development	382,836	-	382,836
Management and general	2,068,497	-	2,068,497
Total support services	<u>2,451,333</u>	<u>-</u>	<u>2,451,333</u>
Total Operating Expenses	<u>14,069,831</u>	<u>-</u>	<u>14,069,831</u>
Operating revenues and support in excess of operating expenses	437,275	-	437,275
Interest income	514,727	-	514,727
Dividend income	463	-	463
Board designated revenues used for operations (Note 13)	<u>(2,600,000)</u>	<u>-</u>	<u>(2,600,000)</u>
Changes in Net Assets	(1,647,535)	-	(1,647,535)
Net Assets, Beginning of Year - As Previously Reported	18,907,722	-	18,907,722
Prior Period Adjustments (Note 19)	<u>14,431,216</u>	<u>-</u>	<u>14,431,216</u>
Net Assets, Beginning of Year - As Restated	<u>33,338,938</u>	<u>-</u>	<u>33,338,938</u>
Net Assets, End of Year	<u>\$ 31,691,403</u>	<u>\$ -</u>	<u>\$ 31,691,403</u>

See notes to financial statements.

BEDFORD STUYVESANT RESTORATION CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

Description	Program Services					Central Administration				Total
	Commercial Revitalization and Asset Management	Energy Conservation	Arts and Education	Economic Development	Sub-Total	Fund Raising/ Development	Management and General	Sub - Total		
Salaries	\$ 647,842	\$ 421,018	\$ 472,098	\$ 2,611,496	\$ 4,152,454	\$ -	\$ 1,394,264	\$ 1,394,264	\$ 5,546,718	
Payroll taxes and fringe benefits	167,162	184,775	135,166	675,649	1,162,752	-	284,258	284,258	1,447,010	
Audit fees	4,576	30,734	3,076	25,234	63,620	-	-	-	63,620	
Legal fees	8,251	-	-	-	8,251	-	-	-	8,251	
Consulting fees	47,297	-	277,229	294,181	618,707	84,414	46,309	130,723	749,430	
Other professional services	58,735	-	253,923	11,488	324,146	3,284	13,845	17,129	341,275	
Security	336,770	-	61,399	-	398,169	700	-	700	398,869	
Incentives and stipends	54	-	-	25,537	25,591	1,800	246	2,046	27,637	
Rent	-	49,300	207,542	290,810	547,652	-	-	-	547,652	
Utilities	394,138	-	-	1,920	396,058	-	-	-	396,058	
Equipment and furniture purchase	9,159	-	1,478	18,670	29,307	-	785	785	30,092	
Equipment rental	92,866	4,860	32,887	23,738	154,351	1,200	35,886	37,086	191,437	
Repairs and maintenance	326,057	821	865	18,223	345,966	685	25,230	25,915	371,881	
Real estate/other taxes	109,253	-	-	13	109,266	-	5,146	5,146	114,412	
Insurance	53,409	49,785	18,557	12,000	133,751	-	21,912	21,912	155,663	
Construction contract costs	-	676,936	-	-	676,936	-	-	-	676,936	
Supplies	24,121	5,028	11,646	23,284	64,079	17,397	8,549	25,946	90,025	
Meals	1,910	517	10,007	7,008	19,442	128,759	7,660	136,419	155,861	
Transportation	750	12,532	1,377	1,978	16,637	652	2,144	2,796	19,433	
Telephone and network communications	22,572	23,658	2,192	39,987	88,409	-	22,769	22,769	111,178	
Advertising/communications	11,180	30,560	28,866	14,792	85,398	66,998	14,881	81,879	167,277	
Interest expense	190,167	-	-	-	190,167	-	-	-	190,167	
Other expenses	415,303	100,015	5,557	119,523	640,398	40,402	70,873	111,275	751,673	
Depreciation	551,995	-	53,938	20,172	626,105	-	7,298	7,298	633,403	
Total Expenses	<u>\$ 3,473,567</u>	<u>\$ 1,590,539</u>	<u>\$ 1,577,803</u>	<u>\$ 4,235,703</u>	<u>\$ 10,877,612</u>	<u>\$ 346,291</u>	<u>\$ 1,962,055</u>	<u>\$ 2,308,346</u>	<u>\$ 13,185,958</u>	

See notes to financial statements.

BEDFORD STUYVESANT RESTORATION CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2018 (RESTATED)

Description	Program Services					Central Administration			Total
	Commercial Revitalization and Asset Management	Energy Conservation	Arts and Education	Economic Development	Sub-Total	Fund Raising/ Development	Management and General		
Salaries	\$ 912,843	\$ 391,788	\$ 479,674	\$ 2,757,949	\$ 4,542,254	\$ -	\$ 1,378,782	\$ 5,921,036	
Payroll taxes and fringe benefits	229,609	157,758	127,824	696,149	1,211,340	-	259,808	1,471,148	
Audit fees	8,846	24,144	2,417	22,114	57,521	-	485	58,006	
Legal fees	94,786	-	3,307	1,154	99,247	-	910	100,157	
Consulting fees	178,050	-	279,657	184,875	642,582	125,097	152,696	920,375	
Other professional services	52,606	-	250,151	17,981	320,738	850	17,396	338,984	
Security	290,326	-	48,065	-	338,391	1,400	-	339,791	
Incentives and stipends	-	-	1,760	21,649	23,409	1,800	-	25,209	
Rent	-	49,300	108,400	291,159	448,859	-	-	448,859	
Utilities	500,231	-	-	1,789	502,020	-	-	502,020	
Equipment and furniture purchase	2,363	5,311	3,720	25,401	36,795	-	2,516	39,311	
Equipment rental	36,155	5,322	31,377	27,088	99,942	2,562	33,470	135,974	
Repairs and maintenance	319,131	3,244	9,296	10,618	342,289	-	24,308	366,597	
Real estate/other taxes	97,132	29	12	40	97,213	-	2,644	99,857	
Insurance	54,024	46,562	21,599	12,000	134,185	-	16,619	150,804	
Construction contract costs	-	576,772	-	-	576,772	-	-	576,772	
Supplies	31,082	8,203	21,930	32,172	93,387	27,103	7,300	127,790	
Meals	1,651	654	13,473	11,234	27,012	147,080	7,037	181,129	
Transportation	973	11,766	1,247	12,040	26,026	333	2,960	29,319	
Telephone and network communications	22,408	18,833	2,531	38,303	82,075	-	26,187	108,262	
Advertising/communications	6,934	15,664	48,479	36,521	107,598	36,232	15,886	159,716	
Interest expense	117,966	-	6,590	-	124,556	-	604	125,160	
Other expenses	366,051	81,217	4,518	211,030	662,816	40,379	109,741	812,936	
Depreciation	898,089	-	103,037	20,345	1,021,471	-	9,148	1,030,619	
Total Expenses	<u>\$ 4,221,256</u>	<u>\$ 1,396,567</u>	<u>\$ 1,569,064</u>	<u>\$ 4,431,611</u>	<u>\$ 11,618,498</u>	<u>\$ 382,836</u>	<u>\$ 2,068,497</u>	<u>\$ 14,069,831</u>	

See notes to financial statements.

BEDFORD STUYVESANT RESTORATION CORPORATION
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
Cash Flows from Operating Activities		
Changes in net assets	\$ (1,344,949)	\$ (1,647,535)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Depreciation	633,403	1,030,619
Unrealized loss on marketable investments	297	2,487
(Increase) decrease in operating assets:		
Grants and contracts receivable	(408,698)	(303,142)
Rent receivable - net	(93,927)	(3,507)
Other receivable	(546,239)	(95,232)
Prepaid expenses and other current assets	(35,496)	15,832
Deferred costs	112,822	135,975
Escrow and tenants security deposits	26,515	(3,120)
Due from affiliates	592,628	702,398
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	174,929	(109,008)
Refundable advances and deferred revenues	280,747	8,950
Other current liabilities	90,436	(136,715)
Due to affiliates	358,244	1,024,729
Deferred compensation liability	40,000	40,000
Escrow and tenants security deposits	(26,515)	3,120
Net cash (used in) provided by operating activities	<u>(145,803)</u>	<u>665,851</u>
Cash Flows from Investing Activities		
Additions to buildings and leasehold improvements	(54,908)	(125,501)
Additions to construction in progress	-	(257,044)
Purchase of machinery and equipment	(16,333)	(551,571)
Proceeds from the sale of investments	15,769	-
Put reserve and other deposits funded	215	(1,388)
Net cash used in investing activities	<u>(55,257)</u>	<u>(935,504)</u>
Cash Flows from Financing Activities		
Proceeds from loan payable - credit line	2,000,000	1,977,918
Repayments on loan payable and capital lease obligation	(1,977,918)	(1,662,636)
Net cash provided by financing activities	<u>22,082</u>	<u>315,282</u>
Net (Decrease) Increase in Cash and Cash Equivalents	(178,978)	45,629
Cash and Cash Equivalents, Beginning of Year	<u>640,702</u>	<u>595,073</u>
Cash and Cash Equivalents, End of Year	<u>\$ 461,724</u>	<u>\$ 640,702</u>
Supplemental Cash Flow Information		
Interest paid	<u>\$ 100,885</u>	<u>\$ 33,054</u>

See notes to financial statements.

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019 AND 2018

1. ORGANIZATION

Bedford Stuyvesant Restoration Corporation (“BSRC”) is a not-for-profit corporation organized under the New York State not-for-profit corporation law.

BSRC was incorporated in 1967 to address the problems of urban decay in the Bedford Stuyvesant Community of Brooklyn, New York. BSRC works with private, public and community stakeholders to impact the well-being of individuals, families, business community and the larger Central Brooklyn community by offering comprehensive services that include business development, construction, rehabilitation and weatherization of housing, commercial revitalization, economic and workforce development, arts, education and youth programs. BSRC has successfully developed and preserved thousands of units of affordable housing and increased the energy efficiency of thousands more; assisted tens of thousands of individuals in finding employment increasing their wages and increasing their financial stability; providing business planning and financing services to scores of small businesses; and engaged more than a million people in various arts and culture events, performances, exhibitions and programs. In 2018 BSRC adopted a new mission focused on relentlessly pursuing strategies to close gaps in family and community wealth to ensure that all households in Central Brooklyn are prosperous and healthy; with a driving strategic direction of disrupting and closing the racial wealth gap.

BSRC is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

BSRC reports information regarding its statement of activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions, described as follows:

Net assets without donor restrictions – Consists of net assets whose use by the organization are not restricted by donor-imposed stipulations.

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Presentation – Continued

Net assets with donor restrictions – Consists of assets whose use by the organization is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the organization. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

Cash and Cash Equivalents

For financial statement purposes, BSRC considers all cash and other highly liquid instruments with original maturities of three months or less to be cash equivalents.

Investments

Investments in marketable securities with determinable fair values and all investments in debt securities are reported at their fair value in the statement of financial position. All gains and losses arising from the sale or other disposition of investments and other non-cash assets are accounted for in the BSRC operating fund as without donor restrictions and are included in the accompanying statement of activities as part of other income.

Fair Value Hierarchy

Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) 820 - *Fair Value Measurements and Disclosures* – establishes fair value hierarchy that distinguishes between (1) market participants assumptions developed based on market data obtained from sources independent of the reporting entity (observable inputs), and (2) the reporting entity’s own assumptions about market participant assumptions developed based on the best information available in the circumstances (unobservable inputs). The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that BSRC has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, Equipment and Furniture

Property and equipment purchased are carried at cost and those acquired by gifts and bequests are carried at fair value at the date of the gift, less accumulated depreciation. Equipment/Machinery and furniture are depreciated using the straight-line method over the estimated useful lives of the assets, which range from 4 to 20 years. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

Building and leasehold improvements are depreciated over the life of the improvements or amortized over the remaining life of the related lease agreements, whichever is shorter.

Deferred Costs

Costs related to future accounting periods, financing of long life assets, are deferred and recognized in the period of activity or over the term of debt/lease.

Support and Revenues

Grants and contributions are recorded as revenues when received, or when amounts and collectability are known, and considered to be available for unrestricted use unless specifically restricted by donors. Grants reimbursing expenditures are recognized as support for the amount expended during the period. Amounts received prior to the time related expenses were incurred are reflected as a liability to the funding source.

Contributed Services

Donated services that create or enhance non-financial assets or require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided in-kind, are recognized at fair value.

Although BSRC receives services from board members and other volunteers, these services do not meet the criteria for recognition as outlined above and have not been recorded.

BSRC received contributed professional services, which have been valued at \$92,564 for the year ended June 30, 2018. These in-kind services have been recognized as income and have been allocated to Commercial Revitalization and Asset Management on the statement of activities.

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Accounting for Uncertain Tax Positions

BSRC adopted the provisions pertaining to uncertain tax provisions (“ASC Topic 740”). The adoption of ASC 740 did not have any impact on the BSRC’s financial statements because there were no uncertain tax positions that qualify for either recognition or disclosure in the financial statements.

Functional Expense Allocation

Allocation of common costs to programs is based on actual usage and percentage of personnel time devoted to each program. Allocation of funds to programs is determined in accordance with the grant provisions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Concentration of Credit Risk

Financial instruments, which potentially subject BSRC to concentration of credit risk, consists of cash, money market accounts, and investment securities, which have been placed with financial institutions that management feels are creditworthy. At times, balances may exceed federally insured limits. While at year end BSRC had material uninsured balances, management feels they have little risk and have not experienced any losses due to bank failure.

The market value of investments is subject to fluctuation; however, management believes the investment policy is prudent for the long-term welfare of BSRC.

**BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Change in Accounting Principles

BSRC implemented FASB ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities, in the current year, applying the changes retrospectively. The new standards change the following aspects of the financial statements:

- The unrestricted net asset class has been renamed net assets without donor restrictions.
- The financial statements include a disclosure about availability and liquidity of resources (Note 18).

The changes have the following effect on net assets at July 1, 2017:

<u>Net Asset Class</u>	<u>As Originally Presented</u>	<u>After Adoption of ASU 2016-14</u>
Unrestricted net assets	\$ 18,907,722	\$ -
Net assets without donor restrictions	<u>-</u>	<u>18,907,722</u>
Total net assets	<u>\$ 18,907,722</u>	<u>\$ 18,907,722</u>

Reclassifications

Prior year information has been reclassified where necessary to make it comparable with current year information.

3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

	<u>2019</u>	<u>2018</u>
Petty cash funds	\$ 3,300	\$ 4,900
Operating funds	445,458	629,019
Restricted Reserve-Brownsville Muti-Service Center	798	647
Payroll accounts	<u>12,168</u>	<u>6,136</u>
	<u>\$ 461,724</u>	<u>\$ 640,702</u>

BSRC maintains cash balances at several banks. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED

4. INVESTMENTS

Investments consist of:

	2018		Quoted prices in Active Markets for Identical Assets (Level 1)
	Cost	Fair Value	
Equities	\$ 4,474	\$ 16,066	\$ 16,066
	\$ 4,474	\$ 16,066	\$ 16,066

The net depreciation in the market value of investments amounted to \$2,487 in 2018. On March 12, 2019, the investments were sold at a loss amounting to \$297.

5. PROPERTY, EQUIPMENT AND FURNITURE

Property, equipment and furniture consist of:

	Estimated Life	2019	2018
Land		\$ 95,408	\$ 95,408
Construction in progress		245,801	324,927
Total non-depreciable assets		341,209	420,335
Buildings	20 - 40 yrs	15,732,625	15,620,791
Leasehold improvements	20 yrs	945,171	922,971
Heavy machinery	20 yrs	3,569,506	3,569,506
Equipment/machinery and furniture	4-5 yrs	2,709,543	2,693,210
Automobiles	5 yrs	18,683	18,683
Total depreciable assets		22,975,528	22,825,161
Less: accumulated depreciation		(14,992,291)	(14,358,888)
Net depreciable assets		7,983,237	8,466,273
Total Property, Equipment and Furniture		\$ 8,324,446	\$ 8,886,608

Depreciation expense for the years ended June 30, 2019 and 2018 are \$633,403 and \$1,030,619, respectively.

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED

6. DEFERRED COSTS

Deferred costs amounting to \$74,533 and \$187,355 pertains to prepaid fundraising expenses as of June 30, 2019 and 2018, respectively.

7. ASSIGNED SELLER'S NOTE RECEIVABLE

On December 1, 2013, Greene Avenue Housing Development Fund Corporation assigned to BSRC, the HDFC's sponsoring entity, a note of \$16,450,000 bearing an interest rate of 2.80% per annum, maturing on December 22, 2041. The note was made by Greene Avenue Rehabilitation 2012 BSRC, L.P., as a mortgagor to Greene Avenue Housing Development Fund Corporation on December 22, 2011, in connection with the renovation of a 150 unit senior citizen affordable housing project. In fiscal year 2014, \$2,802,500 was received which reduced the note to \$13,647,500. Payments are made against the note after payments of operational expenses incurred, payments to investment partners, replenishment of operational reserves, and payment of developer's fee. In fiscal years 2019 and 2018, \$344,523 and \$362,271 were received against the note receivable, respectively. At June 30, 2019 and 2018, the balance of the assigned seller's note receivable were \$12,940,706 and \$13,285,229, respectively. Interest earned on the note for the fiscal years ended June 30, 2019 and 2018 was \$447,823 and \$447,461, respectively. (See Note 19, restatement of financial and prior period adjustments.)

8. NOTES RECEIVABLE

BSRC, in connection with Restoration Plaza operated by RDC Commercial Center ("RDCCC"), an affiliate of BSRC, signed a grant funding agreement on January 15, 2007 with New York City Economic Development Corporation ("EDC") for the completion of certain capital improvements of Restoration Plaza in the amount of \$4,295,000, increased subsequently in September 2008 to \$7,270,000. On January 27, 2010, BSRC closed a New Market Tax Credit (NMTC) transaction to increase funds to the capital improvement project. National Community Fund 1, LLC (NCF), a CDE affiliated with United Fund Advisors, LLC, which provided a tax credit allocation, partnered with EDC to structure the transaction. Citicorp USA, Inc. ("CUSA") provided the tax credit equity investment. The transaction resulted in additional funds to the project of \$3,172,365.

On January 27, 2010, BSRC signed a note receivable of \$11,527,635 made by BSRC Investment Fund, LLC ("Investment Fund"). The note has term life of 35 years, maturing on January 26, 2045 bearing interest quarterly, at an annual rate of 0.5%. Payments received from the Investment Fund will consist of interest only through January 31, 2020 and principal amount will be drawn from the payments received from interest February 1, 2020. On April 20, 2017, BSRC entered into a Membership Interest Purchase Agreement with CUSA, the original investor of the Investment Fund for the purchase of the 100% interest of the Investment Fund for \$139,532.

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED

8. NOTES RECEIVABLE – CONTINUED

As a result of this agreement, the note receivable due from the Investment Fund was assigned to BSRC with payment due from RDCCC, a related party. The terms of the reassigned note receivable are 35 years, with a maturity date of January 26, 2045, bearing interest quarterly, at an annual rate of 0.5%. Commencing from January 27, 2010 and ending January 31, 2020, accrued and unpaid interest only shall be payable in successive quarterly installments. Commencing on February 1, 2020 through maturity date accrued interest and principal shall be payable in successive quarterly installments on each of the last day of each calendar quarter, calculated based on a 300 month amortization schedule and, on the maturity date, the entire outstanding balance, together with all accrued and unpaid interest, and all other sums payable, shall mature and be due and payable. Management has determined there was no impairment of the note receivable and no adjustment was required. At June 30, 2019 and 2018, the balance of the note receivable was \$11,527,635. During the fiscal years ended June 30, 2019 and 2018, BSRC earned interest of \$57,638 and \$67,425, respectively.

9. DUE FROM / (DUE TO) AFFILIATES

Funds are advanced or expenses are incurred from time to time between BSRC and its affiliated companies. The balances of such funds at year-end are reflected in the accompanying statement of financial position as due from or (due to) affiliates.

The following represents the due from affiliates:

	<u>2019</u>	<u>2018</u>
BSRC Neighborhood Home HDFC	\$ 382,623	\$ 386,423
RDC Commercial Center, Inc.	-	593,828
4R Brooklyn, Inc.	<u>290,156</u>	<u>285,156</u>
Due from affiliates	<u>\$ 672,779</u>	<u>\$ 1,265,407</u>

The following represents the (due to) affiliates:

	<u>2019</u>	<u>2018</u>
RDC Commercial Center, Inc.	\$ (560,147)	\$ -
RDC of Bedford Stuyvesant, Inc.	(1,118,036)	(1,320,214)
Restoration Capital Fund, Inc.	(130,677)	(130,408)
Housing Companies	<u>(839,520)</u>	<u>(839,514)</u>
Due to affiliates	<u>\$ (2,648,380)</u>	<u>\$ (2,290,136)</u>

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED

10. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses consist of:

	<u>2019</u>	<u>2018</u>
Vendor payables	\$ 1,788,267	\$ 1,763,265
Payroll and related taxes	354,863	299,598
Accrued vacation	264,652	274,014
Other accrued expenses	188,783	84,759
	<u>\$ 2,596,565</u>	<u>\$ 2,421,636</u>

11. REFUNDABLE ADVANCES AND DEFERRED REVENUES

Refundable advances and deferred revenues consist of:

	<u>2019</u>	<u>2018</u> <u>(Restated)</u>
Government grants and fees	\$ 949,895	\$ 548,748
Advance rent payments	19,732	15,726
Repayment of capital project cost - current	124,406	124,406
Current portion	<u>\$ 1,094,033</u>	<u>\$ 688,880</u>
Repayment of capital project cost	<u>\$ 2,301,510</u>	<u>\$ 2,425,916</u>
Non-current portion	<u>\$ 2,301,510</u>	<u>\$ 2,425,916</u>

12. LOAN PAYABLE – REVOLVING LINE OF CREDIT

On November 13, 2017, BSRC and RDCCC signed two loans with Goldman Sachs Social Impact, L.C: a term loan of \$10,500,000 in connection with Restoration Plaza carried by RDCCC of which \$1,400,000 is held back as an interest repayment reserve, and of which \$8,934,548 and \$7,903,847 were outstanding as of June, 30, 2019 and 2018, respectively, and a revolving line of credit of \$2,000,000 against working capital, carried by BSRC of which \$2,000,000 and \$1,977,918 were availed in fiscal years 2019 and 2018, respectively.

The loans have a seven year term with a maturity date of November 13, 2024, bearing interest of 5.50% per annum, payable quarterly. Commencing on the date 12 months from November 13, 2017, an unused funds fees of 0.75% is payable on the last business day of each calendar quarter (starting December 31, 2018) calculated as the difference between \$11.1 million less the sum of all principal payments made and the actual average outstanding principal balance over said calendar quarter.

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED

12. LOAN PAYABLE – REVOLVING LINE OF CREDIT – CONTINUED

The revolver loan requires that each loan advance (tranche) against the revolver be repaid in full within 364 days of the draw date. Funds repaid are immediately available to be drawn again. All funds must be repaid on or before the maturity date. During fiscal years 2019 and 2018 interest paid on the revolver loan were \$100,885 and \$33,054, respectively.

13. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of:

Net Assets Without Donor Restrictions	Beginning of Year July 1, 2018	Changes in Net Assets	Released from Designation	End of Year June 30, 2019
Undesignated	\$ 21,943,903	\$ (1,344,949)	\$ 1,300,000	\$ 21,898,954
Board designated for future operations	9,747,500	-	(1,300,000)	8,447,500
Total	\$ 31,691,403	\$ (1,344,949)	\$ -	\$ 30,346,454

Net Assets Without Donor Restrictions	Beginning of Year July 1, 2017	Changes in Net Assets	Released from Designation	End of Year June 30, 2018
Undesignated	\$ 20,991,438	\$ (1,647,535)	\$ 2,600,000	\$ 21,943,903
Board designated for future operations	12,347,500	-	(2,600,000)	9,747,500
Total	\$ 33,338,938	\$ (1,647,535)	\$ -	\$ 31,691,403

14. COMMITMENTS AND CONTINGENCIES

Operating Leases

BSRC has certain equipment under operating leases which will expire by August 2024. Rental expense for the years ended June 30, 2019 and 2018 for these leases were \$69,718 and \$66,338, respectively. The future minimum rentals payable are as follows:

Year Ending June 30,	Amount
2020	\$ 75,021
2021	66,046
2022	21,170
2023	9,120
2024	9,120
Total	\$ 180,477

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED

14. COMMITMENTS AND CONTINGENCIES – CONTINUED

Program Audits

Government grants are subject to audit by the grantor and other oversight agencies. Management is of the opinion that any potential disallowances that may result from an audit will not be material and has not set aside a reserve for this. Any future disallowances will be recorded when they become known and the amount is probable that it will be paid.

Commitments

In the normal course of business, BSRC may become a party to various claims related to operating programs and general employment matters. There are no amounts accrued for potential claims or losses because there are no claims that are considered probable of requiring payment. Any future claims will be recorded if such claims are considered to be probable.

Deferred Compensation

On October 22, 2012, BSRC entered into a deferred compensation agreement with a key executive. The agreement provides for certain postretirement benefits, contingent on certain conditions, beginning in 2012. The payout of such benefits, to the Key Executive, or his beneficiary, shall commence on the first day of the month following a qualifying separation from services, based upon the accumulated sums contributed by BSRC, per the agreement, in a lump sum or monthly payments (as agreed upon), and/or by a transfer of all ownership rights in any policy owned by BSRC on the Key Executive's life. BSRC accrues \$40,000 annually from the date of the agreement to the retirement date. BSRC recognized expense of \$40,000 in 2019 and in 2018 related to this agreement. BSRC has purchased whole-life insurance contracts to fund deferred compensation and have recorded the cash surrender value of the policy as of June 30, 2019 and 2018 under the prepaid expenses and other current assets account amounting to \$191,855 and \$152,403, respectively. (See Note 19, restatement of financial and prior period adjustments.)

15. PENSION COSTS

BSRC has a contributory pension plan for all collective bargaining employment employees including employees of subsidiaries who have completed one year of service. Contributions are made at 4.5% of the participant's salary. Pension costs during the years ended June 30, 2019 and 2018 were \$12,114 and \$11,303 respectively. In calendar year 2014, the Board of Directors instituted a Profit Sharing Plan for all full time employees who have attained the age of 21 years and completed one year of service, defined as at least one thousand hours of service per year. Employer may contribute up to 7% of the employees' gross salaries. No contribution was made as of June 30, 2019 and 2018.

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED

16. BILLIE HOLIDAY THEATRE LOAN

BSRC has made loans in the amount of \$394,562 to the Billie Holiday Theatre, Inc., an affiliated company of BSRC. The loans are non-interest bearing and are payable at the discretion of BSRC's management. BSRC's management considered the collection of this amount doubtful and established a reserve for the full amount.

17. SIGNIFICANT GRANTS/CONTRIBUTIONS

BSRC received approximately 20% and 17% of their total support and revenue from two government grants in 2019 and 2018, respectively, as detailed below:

Weatherization Assistance Program

During the year ended June 30, 2019, BSRC performed weatherization under a contract for the period April 1, 2018 to May 31, 2019, with a budget amount of \$1,536,711, and another contract for the period April 1, 2019 to March 31, 2020, with a budget amount of \$1,590,982, awarded by the NYS Division of Housing and Community Renewal under the Low Income Home Energy Assistance Act of 1981.

The purpose of the programs is to weatherproof houses for low-income persons in an effort to reduce fuel consumption. Total grant revenue earned under these contracts during the years ended June 30, 2019 and 2018 were \$1,543,569 and \$1,377,415, respectively.

Economic Development Program

In April 2013, BSRC was awarded, a \$3.15 million grant over 3 years by New York City Human Resources Administration, to provide employment services to assist residents of public housing in the Northern Bedford Stuyvesant community to achieve their employment goals and advance in the labor market. Services include, job training and placement, access to GED/ESOL, child support counseling, work supports, social service referrals, and financial counseling. In April 2016, the grant was renewed for an additional \$3.15 million over 3 years, through March 2019 and has been extended for an additional year. Total grant revenue earned under the contract during the years ended June 30, 2019 and 2018 were \$1,377,015 and \$1,067,924, respectively.

Developer's Fee Income

In fiscal years 2019 and 2018, BSRC earned developer's fee income of \$520,082 and \$1,087,805, respectively.

**BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED**

17. SIGNIFICANT GRANTS/CONTRIBUTIONS – CONTINUED

NYC Department of Cultural Affairs

In fiscal years ended June 30, 2013, 2014, 2015, 2016, 2017 and 2018 the City of New York invested capital funding of \$76,857, \$89,452, \$5,887, \$1,390,568, \$1,734,272 and \$0, respectively for the renovation of the Billie Holliday Theatre (BHT), and \$4,947, \$39,747, \$7,308, \$429,662, \$54,852 and \$0, respectively, for the renovation of the Youth Art Academy (YAA). The renovations of BHT was completed in fiscal year 2018. This investment obligates BSRC to operate BHT and YAA and/or maintain equipment for the respective bonding term as a non-profit entity, open to, used and maintained for the benefit of the people of the City of New York for cultural, educational or artistic uses and/or related purposes approved by the City.

NYC Department of Cultural Affairs has allocated a portion of “City Funding” of \$150,100 to assist BSRC with the rental of temporary space for BHT. In the fiscal year ended June 30, 2019 and 2018, BSRC has incurred expense of relocating BHT and recognized income of \$0.

18. LIQUIDITY AND AVAILABILITY OF RESOURCES

BSRC’s financial assets available within one year of the statements of financial position date for general expenditures are as follows:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 461,724	\$ 640,702
Investments	-	16,066
Grant and contracts receivable	2,777,223	2,368,525
Rent receivable - net	209,498	115,571
Other receivable	<u>825,816</u>	<u>440,515</u>
Total	<u>\$ 4,274,261</u>	<u>\$ 3,581,379</u>

The grants and contributions receivable are reimbursable amounts earned in the fiscal year and, as such, are not subject to donor restrictions. As part of BSRC’s liquidity management, BSRC has a \$2,000,000 revolving line of credit of credit, which requires each tranche of funds drawn to be repaid within 364 days of the date drawn. Funds repaid become immediately available to the drawn down. Additionally, BSRC earns rental income of approximately \$178,000, monthly, which assists in the generation of internal liquidity.

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED

19. RESTATEMENT OF FINANCIAL AND PRIOR PERIOD ADJUSTMENTS

Net assets at the beginning of 2018 has been adjusted for the following:

- To properly classify \$12,347,500 revenue and \$2,413,651 interest income from the assigned Greene Avenue seller's note, previously classified as deferrals.
- To properly reflect \$109,935 life insurance premium expense and \$220,000 deferred compensation expense in connection with its company sponsored life insurance policy and Deferred Compensation Plan.

The correction has no effect on the results of the BSRC's 2019 and 2018 activities. However, the cumulative effect increases net assets without donor restrictions and total net assets at the beginning of 2018 by \$14,431,216.

Net assets for 2018 has been adjusted for the following:

- To reverse the previously recognized revenue amounting to \$2,600,000 and recognized interest income amounting to \$447,462 from the assigned Greene Avenue seller's note.
- To properly reflect \$2,674 life insurance premium expense and \$40,000 deferred compensation expense in connection with its company sponsored life insurance policy and Deferred Compensation Plan

The correction has no effect on the results of the BSRC's 2019 activities. However, the cumulative effect decreases the 2018 net assets without donor restrictions and total net assets by \$2,195,212.

20. SUBSEQUENT EVENTS

BSRC has evaluated subsequent events through September 29, 2020, the date the financial statements were available to be issued.

BSRC obtained a Paycheck Protection Program (PPP) loan of \$1,389,652 on April 14, 2020. BSRC expects to obtain loan forgiveness of the entire or substantial part of the loan. The loan term is 2 years from date of disbursement, with interest rate of 1%, per annum. Payment is deferred for 6 months during which time an application for loan forgiveness can be made.

Additionally, due to the impact of the COVID-19 pandemic on the timing of contract reimbursements and rent receivables, BSRC obtained a working capital loan of \$1,600,000 on June 26, 2020 from the Nonprofit Finance Fund to ensure operational liquidity. The term of the loan is 36 months, bearing no interest, due in full by June 26, 2023 and payable in 4 equal quarterly payments commencing September 26, 2022.

BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO FINANCIAL STATEMENTS – CONTINUED

20. SUBSEQUENT EVENTS – CONTINUED

BSRC's program services have continued to be needed and in demand. BSRC launched a two-fold response to the COVID-19 pandemic. Ongoing human and economic mobility services, such as financial coaching, free tax preparation, workforce development, youth development and small business support, were continued on a remote basis during the height of the pandemic. In addition, BSRC added emergency services directly in response to the pandemic.

The emergency services BSRC is providing in response to COVID-19 include but are not limited to the following:

- Personal Protective Equipment (PPE) such as facial coverings and gloves for residents of NYCHA and other affordable housing developments.
- Small business support services to assist Brooklyn small businesses obtain emergency loans and grants, including PPP, EIDL and other financing.
- Emergency cash assistance grants ranging from \$400 to \$1,000 per individual, to Brooklyn residents who have lost income.
- Emergency rental assistance grants for residents at risk of eviction.
- Free air conditioning units for seniors.
- Food distribution for senior citizens and other at risk populations.
- Resource identification and provision for individuals diagnosed with COVID-19 as part of the City's Test and Trace Program.

In response to the COVID-19 environment, BSRC's art and culture team was at the forefront of innovating by providing educational programming and artistic performances online such as dance classes for youth and adults, ensuring continuity in bringing dynamic and interactive cultural events to our communities.

Moreover, during this period Bain & Co. worked with BSRC to develop strategies to strengthen and scale the operations of BSRC's Center for Personal Financial Health and Brooklyn Business Center. Both centers are the main drivers of the organization's strategic direction to disrupt and close the racial wealth gap. BSRC has also retained Advance NYC to serve as support of its fundraising operation, especially to focus on institutional and individual donors who are prioritizing racial economic equity. Arabella Associates and SNP Advisors are also assisting Restoration in identifying financial resources to advance its strategic direction. These substantial capacity building and funding services are being funded by a \$1 million private donation.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bedford Stuyvesant Restoration Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Bedford Stuyvesant Restoration Corporation, 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, and have issued our report thereon dated September 29, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Bedford Stuyvesant Restoration Corporation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bedford Stuyvesant Restoration Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Bedford Stuyvesant Restoration Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* – CONTINUED

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bedford Stuyvesant Restoration Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Watson Rice LLP

New York, New York
September 29, 2020

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Bedford Stuyvesant Restoration Corporation

Report on Compliance for Each Major Federal Program

We have audited Bedford Stuyvesant Restoration Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Bedford Stuyvesant Restoration Corporation's major federal programs for the year ended June 30, 2019. Bedford Stuyvesant Restoration Corporation's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Bedford Stuyvesant Restoration Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bedford Stuyvesant Restoration Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bedford Stuyvesant Restoration Corporation's compliance.

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE – CONTINUED

Opinion on the Major Federal Program

In our opinion, Bedford Stuyvesant Restoration Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Bedford Stuyvesant Restoration Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Bedford Stuyvesant Restoration Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Bedford Stuyvesant Restoration Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM
GUIDANCE – CONTINUED**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

New York, New York
September 29, 2020

Watson Rice LLP

**BEDFORD STUYVESANT RESTORATION CORPORATION
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA#	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Passed through the State of New York Division of Housing and Community Renewal				
Low-Income Home Energy Assistance	93.568	C-093070-18	\$ -	\$ 1,099,852
Low-Income Home Energy Assistance	93.568	C-093070-19	-	22,093
Total CFDA# 93.568			-	1,121,945
Passed through the City of New York Department of Youth and Community Development				
Community Services Block Grant	93.569	820803A	-	52,519
Community Services Block Grant	93.569	820308A	-	97,637
Community Services Block Grant	93.569	820810A	-	32,400
Total CFDA# 93.569			-	182,556
Total for U.S. Department of Health & Human Services			-	1,304,501
<u>U.S. Department of Energy</u>				
Passed through the State of New York Division of Housing and Community Renewal				
Weatherization Assistance for Low-Income Persons	81.042	C-093070-18	-	192,392
Weatherization Assistance for Low-Income Persons	81.042	C-093070-19	-	229,232
Total CFDA# 81.042			-	421,624
Total for U.S. Department of Energy			-	421,624
<u>U.S. Department of Housing and Urban Development</u>				
Passed through the Local Initiative Support Corporation				
Community Compass Technical Assistance and Capacity Building	14.259	41736-0033	-	100,000
Section 4 Capacity Building for Community Development and Affordable Housing	14.252	17SG0707	-	25,529
Section 4 Capacity Building for Community Development and Affordable Housing	14.252	18SG1118	-	31,093
Total CFDA# 14.252			-	56,622
Total for U.S. Department of Housing and Urban Development			-	156,622
<u>U.S. Department of Agriculture</u>				
Local Food Promotion Program	10.172		-	121,126
Community Food Projects	10.225		-	128,432
Total for U.S. Department of Agriculture			-	249,558
<u>U.S. Department of Labor</u>				
Passed through State of New York Department of Labor				
WIOA Cluster				
WIOA Dislocated Worker Formula Grants - Unemployed Worker Training Program	17.278	DOL01-C17167GG-3550000	-	28,549
Total CFDA# 17.278			-	28,549
Total WIOA Cluster			-	28,549
Total for U.S. Department of Labor			-	28,549
<u>National Endowment for the Arts</u>				
Promotion of the Arts Grants to Organizations and Individuals - Youth Arts Academy Support				
	45.024		-	25,000
Total for National Endowment for the Arts			-	25,000
<u>Corporation for National and Community Service</u>				
Passed through the Mayor's Fund to Advance New York City				
Social Innovation Fund - Promotion of Civic Improvements and Social Welfare	94.019	15SIHNY001	-	103,066
Total for Corporation for National and Community Service			-	103,066
Total Expenditures of Federal Awards			\$ -	\$ 2,288,920

See notes to schedule of expenditures of federal awards.

**BEDFORD STUYVESANT RESTORATION CORPORATION
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Bedford Stuyvesant Restoration Corporation (“BSRC”) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of BSRC, it is not intended to and does not present the financial position, changes in net assets, or cash flows of BSRC.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. INDIRECT COST RATE

BSRC elected to use 10% de minimis rate and this is being used for federal awards, except for Weatherization Assistance for Low-Income Persons and Low-Income Home Energy Assistance where it is negotiated.

**BEDFORD STUYVESANT RESTORATION CORPORATION
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? yes ✓ no
 Significant deficiency(ies) identified? yes ✓ none reported

Noncompliance material to financial statements noted? yes ✓ no

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? yes ✓ no
 Significant deficiency(ies) identified? yes ✓ none reported

Type of auditor’s report issued on compliance
 for major federal programs Unmodified

Any audit findings disclosed that are required
 to be reported in accordance with section
 2 CFR 200.516(a)? yes ✓ no

Identification of Major Programs

<u>CFDA No.</u>	<u>Name of Federal Program or Cluster</u>
93.568	Low-Income Home Energy Assistance

Dollar threshold used to distinguish
 between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? ✓ yes no

**BEDFORD STUYVESANT RESTORATION CORPORATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – CONTINUED**

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

**BEDFORD STUYVESANT RESTORATION CORPORATION
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2019**

None.

**BEDFORD STUYVESANT RESTORATION CORPORATION
 WEATHERIZATION ASSISTANCE PROGRAM
 WITH RESPECT TO FUNDS RECEIVED UNDER THE
 NEW YORK STATE DIVISION OF HOUSING
 AND COMMUNITY RENEWAL PROJECT AGREEMENT C092207
 (CONTRACT PERIOD APRIL 1, 2018 TO MAY 31, 2019)**

SCHEDULE I

**SCHEDULE OF REVENUES, EXPENDITURES, BUDGET, ACTUAL AND
 QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019
 CUMULATIVE FOR THE PROJECT PERIOD APRIL 1, 2018 TO MAY 31, 2019**

	Current Period 7/1/18 - 5/31/19	Project Budget	Cumulative Expense	(Over) Under Budget	Questioned Costs
Revenue					
Grant income	\$ 1,292,244	\$ 1,536,711	\$ 1,536,681	\$ 30	\$ -
Total Revenue	<u>1,292,244</u>	<u>1,536,711</u>	<u>1,536,681</u>	<u>30</u>	<u>-</u>
Expenditures					
Materials	303,083	339,773	334,461	5,312	-
Labor	580,750	729,148	741,080	(11,932)	-
Program support costs	89,398	113,066	117,594	(4,528)	-
Liability insurance	30,734	30,734	30,734	-	-
Financial audit fees	30,734	30,734	30,734	-	-
Training and technical assistance	1,345	11,420	3,220	8,200	-
Administrative costs	72,070	91,836	91,002	834	-
Health and safety	184,130	190,000	187,856	2,144	-
Capital equipment purchase	-	-	-	-	-
Total Expenditures	<u>1,292,244</u>	<u>1,536,711</u>	<u>1,536,681</u>	<u>30</u>	<u>-</u>
Excess of Revenue Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**BEDFORD STUYVESANT RESTORATION CORPORATION
 WEATHERIZATION ASSISTANCE PROGRAM
 WITH RESPECT TO FUNDS RECEIVED UNDER THE
 NEW YORK STATE DIVISION OF HOUSING
 AND COMMUNITY RENEWAL PROJECT AGREEMENT C092207
 (CONTRACT PERIOD APRIL 1, 2019 TO MARCH 31, 2020)**

SCHEDULE II

**SCHEDULE OF REVENUES, EXPENDITURES, BUDGET, ACTUAL AND
 QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019
 CUMULATIVE FOR THE PROJECT PERIOD APRIL 1, 2019 TO JUNE 30, 2019**

	Current				
	Period 4/1/19 -	Project	Cumulative	(Over) Under	Questioned
	6/30/19	Budget	Expense	Budget	Costs
Revenue					
Grant income	\$ 251,325	\$ 1,590,982	\$ 251,325	\$ 1,339,657	\$ -
Total Revenue	<u>251,325</u>	<u>1,590,982</u>	<u>251,325</u>	<u>1,339,657</u>	<u>-</u>
Expenditures					
Materials	38,622	366,927	38,622	328,305	-
Labor	161,049	766,766	161,049	605,717	-
Program support costs	21,407	114,100	21,407	92,693	-
Liability insurance	-	31,820	-	31,820	-
Financial audit fees	-	31,820	-	31,820	-
Training and technical assistance	1,355	10,000	1,355	8,645	-
Administrative costs	22,648	94,549	22,648	71,901	-
Health and safety	<u>6,244</u>	<u>175,000</u>	<u>6,244</u>	<u>168,756</u>	<u>-</u>
Total Expenditures	<u>251,325</u>	<u>1,590,982</u>	<u>251,325</u>	<u>1,339,657</u>	<u>-</u>
Excess Revenue Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

BEDFORD STUYVESANT RESTORATION CORPORATION
WEATHERIZATION ASSISTANCE PROGRAM
SCHEDULE OF ENERGY CONSERVATION PROGRAM EXPENSES
YEAR ENDED JUNE 30, 2019

SCHEDULE III

Description	Weatherization			Fee for Service	Total
	19/20	19/18	Other		
Salaries	\$ 88,031	\$ 332,988	\$ -	\$ -	\$ 421,019
Payroll taxes and other fringe benefits	57,494	126,601	680	-	184,775
Audit fees	-	30,734	-	-	30,734
Consulting fees	-	-	-	-	-
Rent	12,325	36,975	-	-	49,300
Equipment and furniture purchase	-	-	-	-	-
Equipment rental	1,203	3,638	19	-	4,860
Repairs and maintenance	123	698	-	-	821
Real estate/other taxes	-	-	-	-	-
Insurance	-	49,785	-	-	49,785
Construction contract costs	60,390	608,375	8,170	-	676,935
Supplies	265	3,752	1,012	-	5,029
Meals	-	254	263	-	517
Transportation	3,004	9,419	108	-	12,531
Telephone and network communications	3,564	12,174	7,921	-	23,659
Advertising/communications	73	3,437	27,050	-	30,560
Other expenses	24,853	73,414	1,747	-	100,014
Total	\$ 251,325	\$1,292,244	\$ 46,970	\$ -	\$1,590,539

**BEDFORD STUYVESANT RESTORATION CORPORATION
SCHEDULE FOR HUMAN RESOURCES ADMINISTRATION
BROWNSVILLE MULTI-SERVICE CENTER
YEAR ENDED JUNE 30, 2019**

SCHEDULE IV

Statement of Activities	
<u>Description</u>	<u>Total</u>
REVENUE	
Proportional occupancy payment	\$ 221,158
Other Income	<u>84,299</u>
Total Revenue	<u>\$ 305,457</u>
EXPENDITURES	
Salaries	\$ 198,191
Payroll taxes and other fringe benefits	55,328
Equipment and furniture purchase	-
Repairs and maintenance	27,815
Insurance	11,069
Supplies	4,674
Telephone and network communications	5,026
Other expenses	<u>3,354</u>
Total Expenditures	<u>\$ 305,457</u>
NET SURPLUS / DEFICIT	<u>\$ -</u>

Statement of Financial Position	
<u>Assets</u>	<u>Total</u>
<u>Current Assets</u>	
Operating Cash	\$ 56,633
Restricted reserve	798
Proportional occupancy Payments receivable - net	125,264
Prepays	121
Other receivable	90,650
Due from BSRC & RDCCC	<u>-</u>
Total Current Assets	<u>\$ 273,466</u>
Liabilities and Net Assets	
<u>Current Liabilities</u>	
Accounts payable and accrued expenses	\$ 37,087
Other liability	90,650
Due to Agency*	126,741
Due to BSRC & RDCCC	<u>18,988</u>
Total Current Liabilities	<u>\$ 273,466</u>

* Due to Agency includes - Restricted Reserve Funds - \$798 and Net Funds Available for Operations - \$125,822.