



MAKE THE ROAD NEW YORK AND AFFILIATES
Consolidated Financial Statements
December 31, 2020 and 2019
With Independent Auditor's Reports

Make the Road New York and Affiliates
Table of Contents
December 31, 2020 and 2019

Independent Auditor’s Report	1-2
Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities and Changes in Net Assets	4
Consolidated Statements of Functional Expenses	5-6
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8-21
Supplementary Information	
Schedule of Expenditures of Federal Awards	22
Notes to Schedule of Expenditures of Federal Awards	23
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24-25
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance in Accordance with the Uniform Guidance	26-27
Schedule of Findings and Questioned Costs	28

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Make the Road New York and Affiliates:

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Make the Road New York and Affiliates, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Make the Road New York and Affiliates as of December 31, 2020 and 2019, and the consolidated changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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") and is not a required part of the consolidated financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated 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 July 29, 2021, on our consideration of Make the Road New York and Affiliates' 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 the Organization'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 the Organization's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC".

July 29, 2021

Make the Road New York and Affiliates
Consolidated Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 6,478,707	\$ 3,105,198
Contributions receivable, current portion	5,146,066	3,075,810
Grants receivable, net of allowance for doubtful accounts of \$174,774 in 2020 and \$125,045 in 2019	12,009,995	5,759,085
Prepaid expenses and other current assets	<u>75,265</u>	<u>78,574</u>
Total current assets	<u>23,710,033</u>	<u>12,018,667</u>
Property and equipment, net	<u>1,669,909</u>	<u>1,662,201</u>
Construction in progress	<u>17,038,534</u>	<u>10,502,987</u>
Other assets		
Restricted cash - construction project	11,287,555	15,713,865
Contributions receivable	859,245	1,111,467
Pledges receivable - construction project	662,187	1,303,879
Beneficial interest in trust	176,325	172,595
Security deposits	90,976	90,976
Loan receivable	400,000	-
Notes receivable	<u>18,103,800</u>	<u>18,103,800</u>
Total other assets	<u>31,580,088</u>	<u>36,496,582</u>
Total assets	<u>\$ 73,998,564</u>	<u>\$ 60,680,437</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued expenses	\$ 4,134,329	\$ 2,723,724
Current portion of long-term debt	4,384,242	9,087
Current portion of Paycheck Protection Program loan	1,861,398	-
Refundable advances	<u>113,761</u>	<u>247,696</u>
Total current liabilities	10,493,730	2,980,507
Long-term debt, less unamortized debt issuance costs	32,331,459	38,067,881
Paycheck Protection Program loan	930,699	-
Deferred rent	<u>123,425</u>	<u>182,436</u>
Total liabilities	<u>43,879,313</u>	<u>41,230,824</u>
Net assets		
Net assets without donor restrictions	19,594,565	8,515,032
Net assets with donor restrictions	<u>10,524,686</u>	<u>10,934,581</u>
Total net assets	<u>30,119,251</u>	<u>19,449,613</u>
Total liabilities and net assets	<u>\$ 73,998,564</u>	<u>\$ 60,680,437</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Make the Road New York and Affiliates
Consolidated Statements of Activities and Changes in Net Assets
Years Ended December 31, 2020 and 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and revenues						
Contributions						
Foundations	\$ 5,504,676	\$ 5,605,108	\$ 11,109,784	\$ 5,100,094	\$ 4,973,299	\$ 10,073,393
Individuals	6,535,583	-	6,535,583	2,041,611	-	2,041,611
Corporations	276,820	-	276,820	318,930	-	318,930
In-kind contributions	13,804,141	-	13,804,141	11,427,322	-	11,427,322
Governmental grant revenues	14,003,980	-	14,003,980	10,975,244	-	10,975,244
Event revenue, net	189,983	-	189,983	209,872	-	209,872
Legal revenue	265,561	-	265,561	270,605	-	270,605
Investment earnings	191,291	-	191,291	207,438	-	207,438
Other income	255,952	-	255,952	223,582	-	223,582
	<u>41,027,987</u>	<u>5,605,108</u>	<u>46,633,095</u>	<u>30,774,698</u>	<u>4,973,299</u>	<u>35,747,997</u>
Net assets released due to satisfaction of time and purpose restrictions	<u>4,496,044</u>	<u>(4,496,044)</u>	<u>-</u>	<u>3,066,086</u>	<u>(3,066,086)</u>	<u>-</u>
	<u>45,524,031</u>	<u>1,109,064</u>	<u>46,633,095</u>	<u>33,840,784</u>	<u>1,907,213</u>	<u>35,747,997</u>
Expenses						
Program services						
Adult education	2,298,313	-	2,298,313	2,160,398	-	2,160,398
Youth development	1,032,351	-	1,032,351	1,043,772	-	1,043,772
Organizing projects	17,817,285	-	17,817,285	9,046,895	-	9,046,895
Legal and supportive services	10,536,042	-	10,536,042	15,118,184	-	15,118,184
Health programs	3,488,387	-	3,488,387	-	-	-
School-based programs	1,060,596	-	1,060,596	1,090,773	-	1,090,773
	<u>36,232,974</u>	<u>-</u>	<u>36,232,974</u>	<u>28,460,022</u>	<u>-</u>	<u>28,460,022</u>
Supporting services						
Management and general	3,258,336	-	3,258,336	3,106,713	-	3,106,713
Fundraising	1,187,671	-	1,187,671	1,053,094	-	1,053,094
	<u>4,446,007</u>	<u>-</u>	<u>4,446,007</u>	<u>4,159,807</u>	<u>-</u>	<u>4,159,807</u>
	<u>40,678,981</u>	<u>-</u>	<u>40,678,981</u>	<u>32,619,829</u>	<u>-</u>	<u>32,619,829</u>
Changes in net assets before non-operating activity	<u>4,845,050</u>	<u>1,109,064</u>	<u>5,954,114</u>	<u>1,220,955</u>	<u>1,907,213</u>	<u>3,128,168</u>
Non-operating activity						
Capital campaign	4,123,143	588,651	4,711,794	-	663,020	663,020
Net assets released due to satisfaction of time and purpose restrictions-capital campaign	2,111,340	(2,111,340)	-	1,645,565	(1,645,565)	-
Change in beneficial interest in trust	-	3,730	3,730	-	(3,824)	(3,824)
	<u>6,234,483</u>	<u>(1,518,959)</u>	<u>4,715,524</u>	<u>1,645,565</u>	<u>(986,369)</u>	<u>659,196</u>
Changes in net assets	<u>11,079,533</u>	<u>(409,895)</u>	<u>10,669,638</u>	<u>2,866,520</u>	<u>920,844</u>	<u>3,787,364</u>
Net assets						
Beginning of year	<u>8,515,032</u>	<u>10,934,581</u>	<u>19,449,613</u>	<u>5,648,512</u>	<u>10,013,737</u>	<u>15,662,249</u>
End of year	<u>\$ 19,594,565</u>	<u>\$ 10,524,686</u>	<u>\$ 30,119,251</u>	<u>\$ 8,515,032</u>	<u>\$ 10,934,581</u>	<u>\$ 19,449,613</u>

The Notes to Consolidated Financial Statements are an integral part of these statements.

Make the Road New York and Affiliates
Consolidated Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services						Supporting Services				
	Adult Education	Youth Development	Organizing Projects	Legal Services	School-based Programs	Health Programs	Total	Management and General	Fundraising	Total	Total
Payroll	\$ 1,565,455	\$ 486,981	\$ 2,629,775	\$ 3,973,982	\$ 468,561	\$ 1,564,050	\$ 10,688,804	\$ 1,440,713	\$ 790,902	\$ 2,231,615	\$ 12,920,419
Payroll taxes and benefits	381,030	111,242	767,229	1,009,721	146,180	395,187	2,810,589	335,275	243,781	579,056	3,389,645
Consultants	22,481	68,410	164,563	49,017	5,139	24,446	334,056	207,872	35,683	243,555	577,611
Accounting	8,814	3,050	11,068	18,200	2,320	9,256	52,708	11,645	3,032	14,677	67,385
Audit	-	-	-	-	-	-	-	61,303	-	61,303	61,303
COVID direct relief to members	-	-	4,543,141	-	-	-	4,543,141	-	-	-	4,543,141
Depreciation	25,303	8,417	41,949	64,238	7,807	27,098	174,812	10,186	13,511	23,697	198,509
Dues and fees	18,514	69	3,388	7,747	-	500	30,218	133,114	438	133,552	163,770
Equipment leases	7,722	2,568	10,841	19,733	127	7,855	48,846	12,524	5,733	18,257	67,103
Events expense	-	-	-	-	-	-	-	-	27,491	27,491	27,491
Administrative expense	-	-	-	-	-	-	-	254,000	-	254,000	254,000
Insurance	7,086	2,453	9,063	38,014	1,866	7,446	65,928	106,897	2,439	109,336	175,264
Interest expense	-	-	-	-	-	-	-	158,684	-	158,684	158,684
Legal fees	-	-	-	43,379	-	-	43,379	1,095	-	1,095	44,474
Legal fees (in kind)	-	-	8,439,538	4,500,540	-	750,064	13,690,142	-	-	-	13,690,142
Miscellaneous	4,340	26,684	25,573	1,345	7	428	58,377	158,209	773	158,982	217,359
Payroll service fees	12,450	4,308	15,732	26,087	3,278	13,077	74,932	11,655	4,283	15,938	90,870
Printing and postage	1,919	2,388	31,757	69,795	100	2,484	108,443	24,045	5,931	29,976	138,419
Rent	129,166	42,448	165,607	215,162	1,858	134,607	688,848	101,269	36,431	137,700	826,548
Repairs and maintenance	8,916	3,091	12,893	28,519	232	6,841	60,492	9,431	1,892	11,323	71,815
Staff training and development	35	2,126	9,546	7,843	225	2,383	22,158	72,107	-	72,107	94,265
Stipends	-	434	-	-	10,374	-	10,808	-	-	-	10,808
Sub-grant expense	-	180,000	571,000	165,276	-	110,000	1,026,276	-	-	-	1,026,276
Supplies	34,845	52,090	186,566	116,808	400,387	349,021	1,139,717	9,557	18,348	27,905	1,167,622
Technology costs	37,099	13,319	56,915	76,672	9,168	40,488	233,661	91,360	14,785	106,145	339,806
Telephone	16,524	7,483	34,742	69,367	2,563	30,079	160,758	32,176	8,024	40,200	200,958
Travel - local	4,894	8,582	34,813	7,015	182	1,021	56,507	7,543	1,184	8,727	65,234
Travel - out of town	148	1,425	36,304	1,925	39	(1,343)	38,498	4,340	302	4,642	43,140
Utilities	11,572	4,783	15,282	25,657	183	13,399	70,876	3,336	199	3,535	74,411
	2,298,313	1,032,351	17,817,285	10,536,042	1,060,596	3,488,387	36,232,974	3,258,336	1,215,162	4,473,498	40,706,472
Event expenses, netted with income	-	-	-	-	-	-	-	-	27,491	27,491	27,491
	\$ 2,298,313	\$ 1,032,351	\$ 17,817,285	\$ 10,536,042	\$ 1,060,596	\$ 3,488,387	\$ 36,232,974	\$ 3,258,336	\$ 1,187,671	\$ 4,446,007	\$ 40,678,981

The Notes to Consolidated Financial Statements are an integral part of this statement.

Make the Road New York and Affiliates
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services					Supporting Services				Total
	Adult Education	Youth Development	Organizing Projects	Legal Services	School-based Programs	Total	Management and General	Fundraising	Total	
Payroll	\$ 1,466,891	\$ 483,178	\$ 2,426,086	\$ 5,164,025	\$ 430,588	\$ 9,970,768	\$ 1,298,451	\$ 685,379	\$ 1,983,830	\$ 11,954,598
Payroll taxes and benefits	337,277	118,817	719,682	1,378,833	129,042	2,683,651	319,604	203,256	522,860	3,206,511
Consultants	19,176	13,706	155,641	139,437	2,443	330,403	326,768	17,307	344,075	674,478
Accounting	9,010	3,205	11,168	28,642	2,607	54,632	8,385	3,833	12,218	66,850
Audit	2,666	944	3,298	8,480	763	16,151	80,277	1,134	81,411	97,562
Depreciation	26,699	9,459	33,031	84,940	7,639	161,768	20,190	11,358	31,548	193,316
Dues and fees	16,839	296	9,040	3,252	-	29,427	46,943	951	47,894	77,321
Event expenses	-	-	-	-	-	-	-	113,835	113,835	113,835
Equipment leases	7,508	2,680	9,628	26,745	599	47,160	8,580	5,865	14,445	61,605
Insurance	4,185	1,495	6,400	43,005	1,206	56,291	27,228	1,773	29,001	85,292
Interest expense	-	-	-	-	-	-	216,586	-	216,586	216,586
Legal fees	-	-	-	12,513	-	12,513	5,724	-	5,724	18,237
Legal fees (in kind)	-	-	4,304,085	6,996,165	-	11,300,250	13,073	-	13,073	11,313,323
Miscellaneous	13,811	38,520	24,637	45,212	3,703	125,883	58,261	6,248	64,509	190,392
Payroll service fees	10,324	3,655	12,763	32,801	2,951	62,494	8,601	4,389	12,990	75,484
Printing and postage	2,586	2,073	11,539	103,872	216	120,286	57,057	11,922	68,979	189,265
Rent	122,021	39,801	154,604	358,278	10,038	684,742	85,623	57,418	143,041	827,783
Repairs and maintenance	14,308	4,535	18,079	32,446	754	70,122	15,532	6,443	21,975	92,097
Staff training and development	975	4,302	14,671	10,965	-	30,913	87,822	750	88,572	119,485
Stipends	-	23,765	2,995	-	54,948	81,708	-	-	-	81,708
Sub-grant expense	-	184,980	735,204	253,886	-	1,174,070	-	-	-	1,174,070
Supplies	44,668	53,851	215,405	164,156	432,845	910,925	114,855	8,891	123,746	1,034,671
Technology costs	16,678	5,393	23,954	37,231	4,395	87,651	202,051	9,596	211,647	299,298
Telephone	15,573	6,246	31,316	88,127	2,659	143,921	25,104	9,796	34,900	178,821
Travel - local	16,425	29,474	59,194	45,956	2,623	153,672	25,900	5,337	31,237	184,909
Travel - out of town	654	8,712	48,285	19,668	73	77,392	49,939	479	50,418	127,810
Utilities	12,124	4,685	16,190	39,549	681	73,229	4,159	969	5,128	78,357
	<u>2,160,398</u>	<u>1,043,772</u>	<u>9,046,895</u>	<u>15,118,184</u>	<u>1,090,773</u>	<u>28,460,022</u>	<u>3,106,713</u>	<u>1,166,929</u>	<u>4,273,642</u>	<u>32,733,664</u>
Event expenses, netted with income	-	-	-	-	-	-	-	113,835	113,835	113,835
	<u>\$ 2,160,398</u>	<u>\$ 1,043,772</u>	<u>\$ 9,046,895</u>	<u>\$ 15,118,184</u>	<u>\$ 1,090,773</u>	<u>\$ 28,460,022</u>	<u>\$ 3,106,713</u>	<u>\$ 1,053,094</u>	<u>\$ 4,159,807</u>	<u>\$ 32,619,829</u>

The Notes to Consolidated Financial Statements are an integral part of this statement.

Make the Road New York and Affiliates
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating activities		
Changes in net assets	\$ 10,669,638	\$ 3,787,364
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Depreciation	198,509	193,316
Interest expense	115,862	115,861
Bad debt expense	-	100,000
Changes in assets and liabilities		
Contributions receivable	(1,818,034)	124,868
Grants receivable	(6,250,910)	(485,860)
Prepaid expenses and other current assets	3,309	(44,366)
Pledges receivable - construction project	641,692	619,720
Security deposits	-	(260)
Accounts payable and accrued expenses	1,410,605	1,061,708
Deferred rent	(59,011)	(44,272)
Refundable advances	(133,935)	(77,756)
Net cash provided by operating activities	<u>4,777,725</u>	<u>5,350,323</u>
Investing activities		
Purchase of property plant and equipment	(206,217)	(297,863)
Construction in progress	(6,138,332)	(2,412,037)
Sales of investments	-	1,563
Net cash used in investing activities	<u>(6,344,549)</u>	<u>(2,708,337)</u>
Financing activities		
Payments on line of credit	-	(1,575,000)
Change in beneficial interest in trust	(3,730)	3,824
Payments from long-term debt	(1,874,344)	(993,054)
Proceeds from Paycheck Protection Program loan	2,792,097	-
Loan receivable	(400,000)	-
Net cash provided by (used in) financing activities	<u>514,023</u>	<u>(2,564,230)</u>
Net change in restricted cash and cash and cash equivalents	(1,052,801)	77,756
Restricted cash and cash and cash equivalents		
Beginning of year	<u>18,819,063</u>	<u>18,741,307</u>
End of year	<u>\$ 17,766,262</u>	<u>\$ 18,819,063</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	<u>\$ 479,307</u>	<u>\$ 360,436</u>
Non-cash transactions		
Construction in progress	\$ (397,215)	\$ (335,191)
Proceeds from long-term debt	\$ 397,215	\$ 335,191

The Notes to Consolidated Financial Statements are an integral part of these statements.

Make the Road New York and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

1. NATURE OF ACTIVITY

Organization and Basis of Consolidation

Make the Road New York (“MRNY”) is a multi-generational community organization that works with working class immigrants and people of color to achieve dignity and justice. To do that, MRNY uses four core strategies: community organizing, policy innovation, transformative education, and provision of survival services. MRNY was created by the 2007 merger of two of New York City’s most dynamic community organizations, Make the Road by Walking (founded in 1997) and the Latin American Integration Center (founded in 1992). MRNY operates vibrant community centers in Bushwick, Brooklyn; Jackson Heights, Queens; Port Richmond, Staten Island; Brentwood, Long Island; and White Plains, Westchester County.

Children’s Grove Park, Inc. (“CGP”) was established as a New York not-for-profit corporation in 1998. CGP’s primary activity is the holding of real property.

MRNY QALICB, Inc. (“MRNY QALICB”) is an affiliate nonprofit corporation of MRNY and was created for the purpose of facilitating a New Market Tax Credit (“NMTC”) transaction in December 2018. Its purpose and responsibilities are limited to the construction and development of a 24,000 square foot community center located in Queens, New York, the leasing of the property and subleasing of the completed center with MRNY and making related debt service payments.

MRNY and CGP are exempt from Federal income taxes under Sections 501(c)(3) and 501(c)(2) and from New York State income taxes under applicable state law, respectively of the Internal Revenue Code. Accordingly, no provision or liability for Federal income taxes has been recorded in the consolidated financial statements. MRNY QALICB was granted exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code June 9, 2019 and will serve as a supporting organization to MRNY.

MRNY, CGP, and MRNY QALICB (the “Organization”) have been consolidated in these financial statements. All significant intercompany accounts have been eliminated. A substantial portion of the Organization’s revenue is received from contributions from foundations and government agencies.

Program Services

Adult Education - MRNY educates adult participants so they can obtain good jobs, finish school, and engage in civic life. MRNY provides education in English for speakers of other languages (“ESOL”), civics, high school equivalency exam preparation, and workplace health and safety skills. The classes encourage students to share ideas and experiences, analyze the root causes of the problems they face, and strategize about solutions.

Youth Development - Youth development programs support youth ages 14 to 21 in becoming effective thinkers, leaders, and decision-makers. MRNY programs – which include creative arts and media programs, internship opportunities and civic engagement skill building – provide academic and emotional support while cultivating creativity and critical thinking skills. MRNY’s advocacy program elevates young people’s voices in broader policy debates.

Organizing Projects - Organizing projects aims to build a stronger community, make governing institutions subject to democratic community control, and mobilize resistance to oppression based on race, class, gender, age, national origin, and sexual orientation. MRNY focuses on issues that most deeply impact its members, including immigrants’ rights, workers’ rights, and police justice.

Make the Road New York and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Legal Services - The legal department serves the complex needs of whole families, handling many thousands of cases a year in a range of practice areas but with expertise in immigration, employment, housing, health care and public benefits. MRNY services are designed to resolve immediate crises and get families on track to long-term success. MRNY attorneys and paralegals work to address pressing legal needs of clients, identify future concerns, and ensure access to justice while connecting clients to resources that improve well-being and economic self-sufficiency.

School Based Programs - Through MRNY community school on the Bushwick High School Campus, and through partnerships with local public schools throughout the city, MRNY offers a spectrum of in-school programs that improve school environments for LGBTQ students, support low-income students of color in getting to college, and improve school discipline policies so that students stay in school.

Health Programs - The health department promotes the health and well-being of community members. They advocate for improved access to healthcare for immigrants and provide health services to community members. The health department combines one-on-one assistance, helping individuals and families navigate the health system and apply for health insurance; operates two food pantries, and creates a safe space where TGNCIQ community members can obtain necessary health information. The department also leads campaigns at the city and state level to increase access to care and coverage for immigrants in New York.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

Basis of Presentation

Financial reporting by not-for-profit organizations requires that resources be classified for accounting and reporting purposes into net asset categories according to externally (donor) imposed restrictions as follows:

Net assets without donor restrictions: Net assets that are not restricted by donor-imposed stipulations and are available for the general operations of the Organization.

Net assets with donor restrictions: Net assets with donor restrictions include gifts of cash and other assets received with donor stipulations that limit the use of the donated assets or that cannot be satisfied by either the actions of the Organization or through the passage of time.

NMTC Leverage Loan

The NMTC leverage loan is collateralized by the membership interests related to the New Markets Tax Credit transaction and is stated at the principal amount. Payments on the NMTC leverage loan are allocated first to accrued and unpaid interest with the remainder to the outstanding principal balance. The Organization has one class of financing receivables from a highly credible institution. Management assesses the credit quality of the NMTC leverage loan based on indicators such as collateralization, collection experience, and management's internal metrics. As of December 31, 2020 and 2019, no allowance for loan losses has been recognized. The NMTC leverage loan is periodically assessed for impairment based on relevant facts and circumstances. Management reviews the collectability of the NMTC leverage loan on an ongoing basis, and no reserve has been established.

Make the Road New York and Affiliates

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

Revenue and Support Recognition

Contributions

The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized in revenue until the conditions on which they depend have been substantially met. Contributions, net assets, and changes therein are classified and reported based on the existence or absence of donor-imposed restrictions. When a donor restriction expires, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities and changes in net assets as net assets released from restrictions.

Government Grant Revenues

Revenue from government grant and contract agreements, which are generally considered non-exchange transactions, is recognized when qualifying expenditures are incurred and conditions under the agreements are met. Grant funds received in advance of the expenditures incurred are recorded as refundable advances. Grant funds expended in advance of reimbursement from the funding source are classified as grants receivable in the consolidated statements of financial position.

Event Revenue

Event revenue comprises an exchange element, based on the benefits received, and a contribution element for the difference and is treated as revenue without donor restrictions. The Organization does not have any significant financing components as payment is received at or shortly after the point of sale. The contribution portion is recognized as revenue when received. For the exchange portion, funds received in advance of the event date are recorded as contract liabilities in the consolidated statements of financial position. Revenue from the exchange portion is recognized at a point in time, at the date of the event held. During the years ended December 31, 2020 and 2019, the donors did not receive anything of value in exchange for the price paid; therefore, there was no exchange portion, and all special event income was treated as contribution income.

Legal Revenue

Legal revenue is recorded as revenue based upon execution of a stipulation or court order awarding fees or based upon the entitlement to fees for work performed.

Allowance for Doubtful Accounts

Management estimates allowances for uncollectible pledges and other receivables, as required, based on its review of the status of receivables at year end and on its experience with donors. Allowance for doubtful accounts at December 31, 2020 and 2019 amounted to \$174,774 and \$125,045, respectively.

Income Taxes

MRNY is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. CGP is exempt from Federal income tax under Section 501(c)(2) of the Internal Revenue Code. MRNY QALICB was granted exemption under Section 501(c)(3) of the Internal Revenue Code on June 6, 2019. The Organization files tax returns in the U.S. federal jurisdiction and New York. The Organization follows the accounting pronouncement relating to uncertain tax positions. There are no income tax related penalties and interest in the periods reported in these consolidated financial statements.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with a maturity date of three months or less at the date of acquisition to be cash equivalents.

Make the Road New York and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Grants Receivable

Grants receivable consists of certain amounts due from various funding sources which resulted from expenditures incurred in excess of payments received.

Contributions and Pledges Receivable

Contributions and pledges receivable consist of unconditional receivables. The Organization monitors collectability of these receivables and has determined that no allowance for uncollectible accounts was necessary at December 31, 2020 and 2019.

Property and Equipment

Property and equipment purchases are recorded at cost, except for donated items which are recorded at the fair value on the date of donation. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

The principal rates for computing depreciation by major asset categories are as follows:

<u>Description</u>	<u>Estimated Life (Years)</u>
Leasehold improvements	5-15 of life of whichever is shorter
Land improvements	10
Building	35-40
Equipment and furniture	5-10
Vehicles	5

When an asset is sold or retired, the cost and accumulated depreciation are removed from the respective accounts. Maintenance, repairs, and minor renewals are charged to operations as incurred.

Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The consolidated statements of functional expenses report each natural expense classification and its allocation among the functional categories of programs and supporting services. Many expenses can be directly allocated to one of the programs or supporting functions. Certain expenses are attributed to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. These include, but are not limited to, certain rent, maintenance, indirect, administrative and infrastructure costs. The methodology used to allocate these shared costs is based on the ratio of full-time equivalent ("FTE") employees in each functional category, to the total FTE in the Organization. The FTE ratios are evaluated and adjusted periodically throughout the year as employee head counts per program area change.

Financial Instruments

The carrying value of financial instruments including cash, and cash equivalents contributions and grants receivable, notes receivable, accounts payable and accrued expenses approximate their fair value due to the short maturity of these instruments. The carrying value of long-term debt approximates estimated fair value based upon rates currently available for debt with similar terms and maturities.

Make the Road New York and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Valuation of Long-Lived Assets

The Organization reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Management has determined that no assessment was required for the periods presented in these consolidated financial statements.

3. NEW ACCOUNTING PRONOUNCEMENTS ISSUED NOT YET EFFECTIVE

Leases

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02 *Leases* (Topic 842), which requires the recognition of a “right to use” asset and a lease liability, initially measured at the present value of the lease payments, on the consolidated statements of financial position for all of the Organization’s lease obligations. This ASU is effective for fiscal years beginning after December 15, 2021.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (Topic 958), which is effective for fiscal years beginning after June 15, 2021, with early adoption permitted, and is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the statement of activities, apart from contributions of cash or other financial assets, along with expanded disclosure requirements.

The Organization is currently evaluating the effect that this pronouncement will have on its consolidated financial statements and related disclosures.

4. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of December 31, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and fulfillment of payables and other obligations, were as follows:

	<u>2020</u>	<u>2019</u>
Financial assets		
Cash and cash equivalents	\$ 6,478,707	\$ 3,105,198
Contributions receivable	5,146,066	3,075,810
Grants receivable	12,009,995	5,759,085
Available line of credit	<u>1,750,000</u>	<u>1,750,000</u>
Total financial assets	25,384,768	13,690,093
Less:		
Net assets with donor restrictions not available	<u>2,865,000</u>	<u>5,639,911</u>
Total financial assets and liquidity resources	<u>\$ 22,519,768</u>	<u>\$ 8,050,182</u>

The Organization manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. The Organization’s cash flows have fluctuations during the year attributable to the timing of program operations and collection of funds from donors and grantors. The Organization draws upon lines of credit established with its financial institution to manage its cash flow.

Make the Road New York and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

5. CONSOLIDATED STATEMENTS OF CASH FLOWS

The following comprises the restricted cash and cash and cash equivalents reported within the consolidated statements of financial position that sum to the total report in the consolidated statements of cash flows for the years ended December 31:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 6,478,707	\$ 3,105,198
Restricted cash - construction project	<u>11,287,555</u>	<u>15,713,865</u>
	<u>\$ 17,766,262</u>	<u>\$ 18,819,063</u>

Cash is restricted for the payment of construction, development and leasing of the facility, payment of any building loan closing costs and fees and the funding of required reserves.

6. CONTRIBUTIONS RECEIVABLE

On December 31, contributions receivable consists of the following:

	<u>2020</u>	<u>2019</u>
Contributions receivable	\$ 6,005,311	\$ 4,187,277
Current portion	<u>5,146,066</u>	<u>3,075,810</u>
Contributions receivable, long-term	<u>\$ 859,245</u>	<u>\$ 1,111,467</u>

Contributions receivable are due as follows:

2021	\$ 5,146,066
2022	<u>859,245</u>
	<u>\$ 6,005,311</u>

7. CONCENTRATIONS OF CREDIT RISK

Financial investments, which potentially subject the Organization to concentrations of credit risk, consist of cash and cash equivalents and receivables. In an attempt to limit the credit risk, the Organization places its funds with high quality financial institutions. From time to time, the cash on deposit in individual institutions exceeds FDIC insurance limitations. Credit risk for the Organization's receivables is minimal because the amounts are due primarily from governmental agencies and established philanthropic foundations.

8. PROPERTY AND EQUIPMENT

In 2016, the Organization launched a three-year capital campaign, the goal of which is to create the Make the Road New York Immigrant Defense Fund and build a new, landmark Make the Road Community Center in the heart of immigrant Queens, New York. The total cost of the capital project is projected to be \$29,000,000, which is funded by a combination of long-term debt, government grants, New Markets Tax Credits and fundraising from private contributions.

Make the Road New York and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

Property and equipment, shown net of accumulated depreciation at December 31, consisted of the following:

	<u>2020</u>	<u>2019</u>
Leasehold improvements	\$ 656,948	\$ 617,950
Land and land improvements	375,709	375,711
Building	940,320	815,713
Vehicles	32,751	32,751
Equipment and furniture	<u>890,549</u>	<u>847,935</u>
	2,896,277	2,690,060
Less: Accumulated depreciation	<u>(1,226,368)</u>	<u>(1,027,859)</u>
	<u>\$ 1,669,909</u>	<u>\$ 1,662,201</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$198,509 and \$193,316, respectively.

9. CONSTRUCTION IN PROGRESS

Construction in progress consists of professional fees, structural construction, and capitalized interest.

The Organization has capitalized \$2,310,269 and \$1,212,763 of construction period interest costs in the years ended December 31, 2020 and 2019, respectively.

10. NOTES RECEIVABLE

In December 2018, as part of MRNY's financing obtained through the NMTC program described in Note 15, MRNY made leveraged loans totaling \$18,103,800 to MTR New York Investment Fund, LLC ("Investment Fund"), a special purpose entity.

The loans accrue interest at a fixed rate, with interest-only payable quarterly at a rate of 1% over the first seven years ("Compliance Period"); quarterly principal and interest (stated rate) payments are then required through 2044.

Notes receivable at December 31 are as follows:

	<u>2020</u>	<u>2019</u>
NMTC Investment Fund with interest accruing at an annual rate of 1%, interest payments due quarterly through maturity in December 20, 2025	\$ 7,400,000	\$ 7,400,000
NMTC Investment Fund with interest accruing at an annual rate of 1%, interest payments due quarterly through maturity in December 20, 2042	<u>10,703,800</u>	<u>10,703,800</u>
	<u>\$ 18,103,800</u>	<u>\$ 18,103,800</u>

Make the Road New York and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

MRNY and PNC New Markets Investment Partners, LLC (“PNC”), which is the sole owner of the Investment Fund, have executed an Option Agreement to take place at the end of the seven-year compliance period. Under the agreement, PNC can exercise a put option to sell its membership interest in MTR New York Investment Fund, LLC for \$1,000 to MRNY. If PNC does not exercise the put option within 90 days of the seven-year period, MRNY can exercise a call option to purchase the membership interest at an appraised fair market value.

These put/call options do not represent embedded derivatives and, accordingly, have not been accounted for as derivative instruments in the Organization's consolidated financial statements.

If the Option Agreement is exercised at the seventh-year anniversary of the NMTC transaction, MRNY would gain control of all outstanding loans payable and receivable, there would be no residual amounts due to or from any external third parties, and MRNY would record a net gain associated with the dissolution of the NMTC financing structure.

11. LONG-TERM DEBT

Long-term debt consists of the following at December 31:

	<u>2020</u>	<u>2019</u>
Mortgage payable due December 19, 2025, interest rate is 6.14%. Principal and interest payments of \$3,292 beginning on January 19, 2019, secured by building.	\$ 483,397	\$ 491,378
Loan payable in the amount of \$3,700,000 with a \$481,000 interest holdback, due December 2025, 6.50% only payable quarterly commencing April 2019 until January 2022 then converting to principal and interest, secured by fee and leasehold mortgage.	3,553,442	3,385,693
Loan payable in the amount of \$3,700,000 with a \$481,000 interest holdback, due December 2025, 6.50% interest, only payable quarterly commencing April 2019 until January 2022, then converting to principal and interest, secured by fee and leasehold mortgage.	3,616,964	3,387,498
Loan payable in the amount of up to \$9,500,000 due December 2021 with interest only payable quarterly at 6.00% commencing March 2019, secured by capital campaign pledges and receipts, a second priority pledge and assignment of Leverage Loan A, a first priority pledge and assignment of Leverage Loan B, other assets.	4,374,485	6,240,848
Qualified low-income community investment loans (Note 15)	<u>26,180,000</u>	<u>26,180,000</u>
	38,208,288	39,685,417
Less: Unamortized debt issuance costs	<u>(1,492,587)</u>	<u>(1,608,449)</u>
	<u>\$ 36,715,701</u>	<u>\$ 38,076,968</u>

Make the Road New York and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

The future scheduled maturities of the long-term debt are as follows:

2021	\$ 4,384,242
2022	10,382
2023	11,047
2024	11,674
2025	440,537
Thereafter	<u>33,350,406</u>
	<u>\$ 38,208,288</u>

The Organization has incurred \$1,724,310 in commitment fees and debt issuance costs in connection with the long-term debt. The Organization's policy is to amortize such costs over the term of the mortgage loan if not significantly different from the effective interest method. Amortization included in interest expense for the years ended December 31, 2020 and 2019 amounted to \$115,862 and \$115,861, respectively.

Scheduled amortization for future periods is as follows:

2021	\$ 115,861
2022	115,861
2023	115,861
2024	115,861
2025	115,861
Thereafter	<u>913,282</u>
	<u>\$ 1,492,587</u>

12. LINE OF CREDIT

The Organization maintained a \$1,750,000 revolving line of credit with interest at the LIBOR Daily Floating Rate plus 3%. The line was secured by equipment and receivables. As of December 31, 2020, \$0- of the line of credit was outstanding. The line of credit expired on May 31, 2021. The Organization expects it to be renewed.

13. PAYCHECK PROTECTION PROGRAM LOAN

On May 1, 2020, the Organization issued an unsecured promissory note (the "PPP Loan") for \$2,792,097 through the Paycheck Protection Program ("PPP") established under the CARES Act and administered by the U.S. Small Business Administration ("SBA"). The PPP Loan is guaranteed by the SBA. The PPP Loan may be forgiven, in whole or in part, if the Organization was eligible for the PPP Loan at the time of application, used the loan proceeds for eligible expenses within the defined 24-week period after the PPP Loan was disbursed ("Covered Period"), and otherwise satisfied PPP requirements. The PPP Loan was made through Self-Help Credit Union (the "Lender"), has a two-year term, bears interest at 1.00% per annum, and matures on April 29, 2022. If the PPP Loan is not forgiven, monthly principal and interest payments are deferred until ten months after the end of the Covered Period, or November 1, 2020. The PPP Loan may be prepaid at any time prior to maturity with no prepayment penalties. Accordingly, the Organization has reflected the PPP Loan as short and long-term debt in the accompanying consolidated statements of financial position. Since the PPP Loan was over \$2,000,000, the Organization's loan forgiveness application will be subject to review and potential audit by the SBA.

Make the Road New York and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

The Organization will record the forgiveness of the loan as a gain on extinguishment in the period in which legal release is received. There is no certainty that any or all of the PPP Loan will be forgiven.

Future maturities of the PPP Loan, assuming it is not forgiven, are as follows:

2021	\$ 1,861,398
2022	<u>930,699</u>
	<u>\$ 2,792,097</u>

14. COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization leases office space under six non-cancelable leases that expire in various years through 2023. The Organization is responsible for its utility costs and other routine repairs and maintenance for the buildings, backyards, and sidewalks. Deferred rent of \$123,425 and \$182,436 at December 31, 2020 and 2019, respectively, is comprised of the difference between rent expense under the terms of the lease and rent expense being recorded on a straight-line basis as required. Rent expense for these leases amounted to \$826,548 and \$827,783 for the years ended December 31, 2020 and 2019, respectively.

Future minimum annual lease payments are as follows:

2021	\$ 444,467
2022	359,662
2023	<u>266,500</u>
	<u>\$ 1,070,629</u>

The Organization is the defendant in a pending legal action in the normal course of operations. The ultimate outcome of this action is unknown at the present time. Accordingly, no provision for any liability that might result from this action has been made in the accompanying consolidated financial statements. In the opinion of management, the outcome of any existing action is not considered to be material in relation to the Organization's financial position.

On December 20, 2018, the Organization entered into a contract for the construction of the community center amounting to \$14,675,000. This contract has been revised during the reporting year, and currently stands at \$15,783,662. As of December 31, 2020, the Organization has approximately \$10,495,013 remaining on contracts for the construction of the community center.

The Organization experienced delays in construction during the reporting year due to conflicts with obtaining permits and approvals from neighboring property owners. Though these conflicts have subsequently been resolved, construction has been further delayed due to closures as a result of the COVID-19 pandemic. The delays in construction will add additional construction, architectural, interest, legal, and reengineering costs of \$1,175,000, which will be partially offset by an increased contribution of the Organization to the project. Management does not anticipate any problems with meeting these additional costs, nor does it expect the New Markets Tax Credit deal to be adversely affected. The estimated project completion date is now December 2021.

At December 31, 2020 and 2019, the Organization had remaining available award balances on federal and private conditional grants and contracts for sponsored projects of approximately \$5,301,000 and \$7,001,000, respectively. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

Make the Road New York and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

The Organization has been notified that the Internal Revenue Service ("IRS") was proposing the assessment of penalties of approximately \$151,000 for failure to timely file and furnish forms 1094C and 1095C for tax year 2017. The IRS has not actually imposed the penalties and the Organization has subsequently filed the forms asking the IRS to refrain from imposing any penalties. Any liability for the IRS actually imposing penalties has not been accrued in these consolidated financial statements.

15. NEW MARKET TAX CREDITS

On December 20, 2018, the Organization entered into a NMTC transaction to help finance the construction of the Make the Road New York Community Center. The NMTC Program was designed to stimulate investment and economic growth in low-income communities by offering a seven-year, 39% federal tax credit to investors for making Qualified Equity Investments ("QEI") made through investment vehicles known as Community Development Entities ("CDEs"). CDEs use capital derived from tax credits to make loans to or investments in businesses and projects in low-income areas under favorable economic terms, typical of these types of tax credits-based deals.

The NMTC transaction is composed of several sub-transactions, as described below:

QALICB: For the sole purpose of facilitating the NMTC transaction, MRNY created MRNY QALICB, Inc. ("MRNY QALICB") that would qualify as a Qualified Active Low-Income Community Business ("QALICB"). MRNY QALICB was formed pursuant to the filing of those certain Articles of Incorporation with the New York Secretary of State on April 3, 2018. On June 6, 2019, the Internal Revenue Service issued a letter determining that the QALICB was exempt from federal income tax under IRC Section 501(c)(3).

Leverage Loan: As part of the transaction, MRNY made leveraged loans amounting to \$18,103,800 to the Investment Fund. The leverage loans are secured by the Investment Fund's 99.99% membership interests in the CDEs listed below. The proceeds of these leveraged loans along with an investment of \$9,196,200 from PNC were used by the Investment Fund towards making a QEI into each of the three CDEs as listed below. The CDEs then used the proceeds of these QEIs to make loans that are Qualified Low-Income Community Investments ("QLICI Loans") to MRNY QALICB.

QLICI Loans: Under the NMTC transaction, MRNY QALICB obtained QLICI Loans from the following CDEs: (i) NFF New Markets Fund XXXV, LLC ("NFF"); (ii) NYCR Sub-CDE 2, LLC ("NYCR"); and (iii) PCC Sub-CDE B, LLC ("PCC"). The following A, B, and C QLICI Loans were made to MRNY QALICB:

	<u>2020</u>	<u>2019</u>
NFF Loan A1 ⁽¹⁾	\$ 3,700,000	\$ 3,700,000
NFF Loan A2 ⁽¹⁾	6,401,555	6,401,555
NFF Loan B1 ⁽²⁾	7,454,040	7,454,040
NFF Loan C1 ⁽²⁾	3,210,000	3,210,000
NYCR Loan C1 ⁽²⁾	2,348,000	2,348,000
PCC Loan B2 ⁽²⁾	548,205	548,205
PCC Loan C2 ⁽²⁾	<u>2,518,200</u>	<u>2,518,200</u>
	26,180,000	26,180,000
Less: Unamortized debt issuance costs	<u>(1,076,365)</u>	<u>(1,108,982)</u>
	<u>\$ 25,103,635</u>	<u>\$ 25,071,018</u>

(1) Loans bear interest at a fixed rate equal to 1.19% and mature on December 20, 2025.

(2) Loans bear interest at a fixed rate equal to 1.19% and mature on December 20, 2053.

Make the Road New York and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

The QLICI Loans are recorded in the Organization's consolidated statements of financial position. The QLICI Loans are secured by a lease-hold mortgage on the building being constructed by MRNY QALICB and MRNY QALICB's other assets.

As part of the NMTC transaction, the Organization executed a ground lease and operating lease with MRNY QALICB. The ground lease is effective July 26, 2018 and the term of the lease is 49 years unless terminated sooner in accordance with the terms of the lease. Annual base rent is \$1 and the MRNY QALICB is responsible for the payment of all operating expenses of the property upon commencement of the base rent. The operating lease includes the real property owned by MRNY together with improvements made by MRNY QALICB and is effective on the date construction work is substantially completed and has a term of 30 years. MRNY has one option to extend the term of the lease for five years. Future minimum rental payments under the operating lease are as follows: 2021 - \$360,000; 2022 - \$367,200; 2023 - \$374,544; 2024 - \$382,035; 2025 - \$382,035; and each of the years 2026 through 2048 - \$1,445,000.

Neither the Organization nor MRNY QALICB controls or has economic interest in the assets of either the Investment Fund or the CDEs. The Investment Fund is controlled and wholly owned by PNC, and the Investment Fund owns a 99.99% interest in the CDEs and a managing member of the CDEs that controls the CDEs on a day-to-day basis owns a .01% stake.

To earn the tax credit, the QELs must remain invested in the CDEs for a seven-year period. MRNY QALICB has significant reporting requirements to its lenders and CDEs, including financial reports and community impact reports. MRNY QALICB is restricted against accumulating and holding certain types of assets (including options, stock, promissory notes, and excess cash), having its own employees, or otherwise engaging in activities unrelated to the Organization.

Provided MRNY QALICB satisfies the foregoing requirements and avoids violating the foregoing restrictions, it will remain in substantial compliance with its obligations pursuant to the NMTC financing.

16. NET ASSETS WITH DONOR RESTRICTIONS

Components of net assets with donor restrictions at year end were as follows:

	<u>2020</u>	<u>2019</u>
Restricted by donors for specific program purposes		
Services	\$ 1,236,654	\$ 985,001
Capital Campaign	2,005,755	3,528,444
Youth Power	509,940	971,149
Organizing	6,188,389	1,838,852
Adult Literacy	64,167	99,375
Restricted by donors for specific time		
General support	342,915	3,338,624
Beneficial interest in trust	176,866	173,136
	<u>\$ 10,524,686</u>	<u>\$ 10,934,581</u>

For the years ended December 31, 2020 and 2019, the Organization released \$4,496,044 and \$3,066,086, respectively, from net assets with donor restrictions.

Make the Road New York and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

17. RELATED PARTY TRANSACTIONS

The two co-directors of the Organization serve as members of the Board of Directors as well as employees of the Organization during 2020 and 2019. During the years ended December 31, 2020 and 2019, payments made to them as employees totaled \$330,541 and \$309,774, respectively, in salaries and fringe benefits.

MRNY and Make the Road Action (“MRA”) have related officers and board members. Two individuals are on both boards and were also former Co-Executive Directors of MRNY. The two current Co-Executive Directors also serve on both boards as well as another individual. The Co-Executive Director of the Center for Popular Democracy (“CPD”) is also a board member of MRNY. During the years ended December 31, 2020 and 2019 MRNY incurred \$337,546 and \$97,771 in expenses from CPD and received \$255,000 and \$163,333, respectively, in grant revenue.

During the years ended December 31, 2020 and 2019, MRNY incurred expenses to MRA of \$130,000 and \$189,792, respectively, in sub-grants. Balances due to MRA for the years ended December 31, 2020 and 2019, were \$304,782 and \$174,782, respectively.

Make the Road States, Inc. (“States”) has a cost sharing agreement with the Organization. Payroll and fringe benefits of \$709,575 were charged by States. States obtained an unsecured loan from the Organization to fund State’s payroll during the startup period. Interest will be charged by the Organization equal to the amount of interest incurred by the Organization in order to access the funds from a line of credit. The outstanding balance of the loan receivable on December 31, 2020 was \$400,000.

18. BENEFICIAL INTEREST IN TRUST

In 2010, the Organization was informed that it was named as one of the recipients of a beneficial interest in a charitable lead unitrust held by an outside trustee. The trust is for a 20-year term expiring in 2026, during which the Organization will receive annual distributions of 6.5% of the net fair market value of the trust. The present value of the estimated future cash flows was recognized as an asset and contribution revenue during the year ending December 31, 2010. The fair value of this asset is revalued annually by calculating the present value of estimated future cash flows, based on a discount rate of .5%, which reflects the target investment return. The fair value of the beneficial interest in the trust at December 31, 2020 and 2019, was \$176,325 and 172,595, respectively.

19. BENEFIT PLANS

The Organization is a participant in a defined contribution 401(k) plan (the “Plan”). The Plan covers all participating employees that have completed three months of service within the Organization or other social, economic, and environmental justice agencies that are members within the Plan. Under the terms of the Plan, employer matching contributions of 2% are made to eligible Plan participants, and discretionary contributions were made for all eligible employees at a rate of 1% of compensation for each of the years ended December 31, 2020 and 2019. The Organization contributed \$237,700 and \$234,817 for the years ended December 31, 2020 and 2019, respectively.

20. DONATED SERVICES AND IN-KIND CONTRIBUTIONS

Donated services which represent the value of contributed time by volunteer attorneys, consultants, and interns based upon the actual hours worked at rates paid to attorneys, consultants, and interns performing similar services amounted to \$13,690,141 and \$11,313,323 for the years ended December 31, 2020 and 2019, respectively, in the consolidated financial statements.

Make the Road New York and Affiliates
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

21. RISKS AND UNCERTAINTIES

On January 30, 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus ("COVID-19") a "Public Health Emergency of International Concern" and in early March 2020, declared the Coronavirus outbreak a global pandemic. Management is currently evaluating the impact of the COVID-19 pandemic has concluded that while it is reasonably possible that the virus could have a negative effect on the Organization's financial position and results of operations, the specific impact is not readily determinable as of the date of these consolidated financial statements. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

22. SUBSEQUENT EVENTS

The Organization has evaluated events occurring after the consolidated statement of financial position date through the date of July 29, 2021, the date the consolidated financial statements were available for release. Based on this evaluation, the Organization has determined that no subsequent events have occurred which require disclosure in the consolidated financial statements.

SUPPLEMENTARY INFORMATION

**Make the Road New York and Affiliates
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020**

<u>Grantor/Pass Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grant Number</u>	<u>Passed Through to Subrecipients</u>	<u>Expenditures</u>
Federal Awards				
<u>U.S. Department of Agriculture</u>				
Emergency Food Assistance Program (Food Commodities)	10.569	85425	\$ 125,798	\$ 125,798
Emergency Food Assistance Program (Food Commodities)	10.569	83811	115,234	115,234
Total U.S. Department of Agriculture			<u>241,032</u>	<u>241,032</u>
<u>U.S. Department of Justice</u>				
Legal Assistance for Victims	16.524	n/a	-	167,150
Total U.S. Department of Justice			<u>-</u>	<u>167,150</u>
<u>U.S. Department of Health and Human Services</u>				
New York City Department of Youth and Community Development				
Community Services Block Grant Adult Literacy Grant	93.569	766609-9920	-	28,335
Community Services Block Grant	93.569	820408	-	61,815
Community Services Block Grant	93.569	840308	-	104,594
Community Services Block Grant	93.569	840408	-	65,203
Human Resources Administration				
Community Services Block Grant	93.569	CT106920200000298	-	144,763
			<u>-</u>	<u>404,710</u>
Research Foundation CUNY				
Environmental Health	93.113	CM00000635	-	158,095
USW Tony Mazzocchi Center				
NIEHS Hazardous Waste Worker Health and Safety Training	93.142	5U45ES006175	-	88,030
Community Service Society-Community Health Advocates				
Medical Assistance Program	93.778	C32978GG	-	27,099
Community Service Society-ACA Health Navigator				
Medical Assistance Program	93.778	C34570GG	-	100,833
			<u>-</u>	<u>127,932</u>
Community Service Society - ACA Health Navigator				
Children's Health Insurance Program	93.767	C34570GG	-	12,594
Community Service Society - Community Health Advocates				
Children's Health Insurance Program	93.767	C32978GG	-	3,376
			<u>-</u>	<u>15,970</u>
Total U.S. Department of Health and Human Services			<u>-</u>	<u>794,737</u>
<u>U.S. Department of Housing and Urban Development</u>				
New York City Department of Youth and Community Development				
Community Development Block Grant Adult Literacy Grant	14.218	766609-9917	-	66,287
Consortium for Workers Education				
Community Development Block Grant Adult Literacy Grant	14.218		-	104,213
Total U.S. Department of Housing and Urban Development			<u>-</u>	<u>170,500</u>
<u>U.S. Department of Education</u>				
New York State Education Department Workforce Investment Act				
Title II and Welfare Education Program Funds				
Civil Rights Training and Advisory Services	84.002	C403240	-	478,441
Total U.S. Department of Education			<u>-</u>	<u>478,441</u>
Total Federal Awards			<u>\$ 241,032</u>	<u>\$ 1,851,860</u>

See Independent Auditor's Report.
See accompanying Notes to Schedule of Expenditures of Federal Awards.

Make The Road New York and Affiliates
Notes to Schedule of Expenditures of Federal Awards
December 31, 2020

1. GENERAL INFORMATION

The accompanying schedule of expenditures of federal awards presents the activities in all the federal programs of Make the Road New York. All federal awards received directly from federal agencies as well as federal awards passed through other governmental agencies or nonprofit organizations are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting. The amounts reported in this schedule as expenditures may differ from certain financial reports submitted to federal funding agencies due to those reports being submitted on either a cash or modified accrual basis of accounting.

3. RELATIONSHIP TO BASIC CONSOLIDATED FINANCIAL STATEMENTS

Federal program expenditures are reported on the consolidated statements of activities and changes in net assets. In certain programs, the expenditures reported in the basic consolidated financial statements may differ from the expenditures reported in the schedule of expenditures of federal awards due to program expenditures exceeding grant or contract budget limitations, company matching or in-kind contributions which are not included as federal awards.

4. INDIRECT COST RATE

The Organization does not have a federally negotiated indirect cost rate and has elected to use the 10% de minimis cost rate as covered in section 200.414 in the Uniform Guidance.

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

To the Board of Directors,
Make the Road New York and Affiliates:

We have audited, 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, the consolidated financial statements of Make the Road New York and Affiliates, which comprise the consolidated statement of financial position as of December 31, 2020, and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to consolidated financial statements, and have issued our report thereon dated July 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Make the Road New York and Affiliates' internal control over financial reporting (internal control) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Make the Road New York and Affiliates' internal control. Accordingly, we do not express an opinion on the effectiveness of Make the Road New York and Affiliates' 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 combination of deficiencies, in internal control, such that there is more than a reasonable possibility that a misstatement of the entity's consolidated 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 over financial reporting 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Make the Road New York and Affiliates consolidated financial statements are free of 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 consolidated financial statements.

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 Make the Road New York and Affiliates' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Make the Road New York and Affiliates' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Withum Smith + Brown, PC". The signature is written in a cursive, flowing style.

July 29, 2021

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Make the Road New York and Affiliates:

Report on Compliance for Each Major Federal Program

We have audited Make the Road New York and Affiliates' compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on Make the Road New York and Affiliates' major federal programs for the year ended December 31, 2020. Make the Road New York and Affiliates' 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 Make the Road New York and Affiliates' major federal program 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 Make the Road New York and Affiliates' 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 Make the Road New York and Affiliates' compliance.

Opinion on Major Federal Programs

In our opinion, Make the Road New York and Affiliates complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of Make the Road New York and Affiliates 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, we considered Make the Road New York and Affiliates' internal control over compliance with the types of requirements that could have a direct and material effect on a 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 Make the Road New York and Affiliates' 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.

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.

Withum Smith + Brown, PC

July 29, 2021

**Make the Road New York and Affiliates
Schedule of Findings and Questioned Costs
Year Ended December 31, 2020**

Section 1 – Summary of Auditor’s Results

Consolidated Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None reported

Noncompliance material to consolidated financial statements noted? No

Federal Awards

Internal control over major programs:

Material weaknesses identified? No

Significant deficiencies identified that are not considered to be material weaknesses? None reported

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

The following program was designated as a major program.

Federal CFDA

Number

Federal Agency

84.002

U.S. Department of Education
Adult Education

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

Auditee qualified as a low-risk auditee? Yes

Section 2 – Summary of Findings Related to *Government Auditing Standards*

None reported.

Section 3 – Summary of Findings and Questioned Costs Related to the Uniform Guidance

None reported.

Section 4 – Follow up of Prior Year Findings and Questioned Costs

There were no prior year findings and questioned costs reported.