The Crenulated Company, Ltd.

Financial Statements
and Independent Auditor's Report

December 31, 2019

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The Crenulated Company, Ltd.

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Independent Auditor's Report

To the Board of Directors
The Crenulated Company, Ltd.

Report on the Financial Statements

We have audited the accompanying financial statements of The Crenulated Company, Ltd., which comprise the statement of financial position as of December 31, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Crenulated Company, Ltd. as of December 31, 2019, and the change in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CohnReznick LLP

New York, New York
September 8, 2020

The Crenulated Company, Ltd.

Statement of Financial Position
December 31, 2019

Assets

Cash	$	585,494
Accounts receivable		5,913
Grants receivable		1,381,600
Due from affiliates		4,892,139
Interest receivable - note		112,826
Note receivable		893,000
Prepaid expenses		2,522
Long-term investments		326,786
Equipment, net of accumulated depreciation of $7,103		55,823
Total assets	$	8,256,103

Liabilities and Net Assets

Liabilities		
Accounts payable	$	446,065
Due to affiliates		3,486,277
Refundable advances		592,195
Total liabilities		4,524,537
Net assets		
Without donor restrictions		3,731,566
Total liabilities and net assets	$	8,256,103

See Notes to Financial Statements.

The Crenulated Company, Ltd.

Statement of Activities
Year Ended December 31, 2019

Revenue and support		
Grant revenue	$	3,669,773
Tuition, members' dues and miscellaneous income		1,404,419
Interest income - note		115,018
Private foundation grants		2,013,714
Other income		7,695
Total revenue and support		7,210,619
Operating expenses		
Program services		
Community services		8,020,439
Supporting services		
Fund-raising		31,500
Total operating expenses		8,051,939
Other expenses		
Contribution to affiliate		18,279,559
Total other expenses		18,279,559
Change in net assets - without donor restriction		(19,120,879)
Net assets - without donor restriction, beginning of year		22,852,445
Net assets - without donor restriction, end of year	$	3,731,566

See Notes to Financial Statements.

The Crenulated Company, Ltd.

Statement of Functional Expenses
Year Ended December 31, 2019

	Community Services	Fund-Raising	Total
Salaries	$ 4,961,251	$ -	$ 4,961,251
Payroll taxes	374,403	-	374,403
Employee benefits	445,275	-	445,275
	5,780,929	-	5,780,929
Accounting, legal and other professional fees	496,425	31,500	527,925
Repairs and maintenance	11,495	-	11,495
Insurance	86,475	-	86,475
Utilities	90,758	-	90,758
Supplies	397,937	-	397,937
Advertising	43,783	-	43,783
Postage	17,302	-	17,302
Stationery and printing	8,576	-	8,576
Interest	12,575	-	12,575
Conferences and meetings	28,669	-	28,669
Space rental	317,314	-	317,314
Telephone	38,195	-	38,195
Travel and transportation	81,731	-	81,731
Food and refreshments	136,921	-	136,921
Grants and stipends	221,402	-	221,402
Miscellaneous	242,849	-	242,849
Depreciation	7,103	-	7,103
	$ 8,020,439	$ 31,500	$ 8,051,939

See Notes to Financial Statements.

The Crenulated Company, Ltd.

Statement of Cash Flows
Year Ended December 31, 2019

Cash flows from operating activities	
Change in net assets	$ (19,120,879)
Adjustments to reconcile increase in net assets to net cash used in operating activities	
Depreciation	7,103
Contribution of marketable securities	(326,786)
Non-operating distribution	18,279,559
(Increase) decrease in certain assets	
Accounts receivable	(3,748)
Interest receivable - note	(112,826)
Grants receivable	277,286
Prepaid expense	6,228
Increase (decrease) in certain liabilities	
Accounts payable	(124,052)
Refundable advances	(10,205)
Net cash used in operating activities	(1,128,320)
Cash flow from investing activities	
Withdrawal from liquidity reserve	18,279,559
Purchase of furniture and equipment	(62,926)
Advances to affiliates	(107,131)
Net cash provided by investing activities	18,109,502
Cash flow from financing activities	
Advances from affiliates	1,310,583
Contribution to affiliate	(18,279,559)
Net cash used in financing activities	(16,968,976)
Net increase in cash and restricted cash	12,206
Cash and restricted cash, beginning	573,288
Cash and restricted cash, end	$ 585,494
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	$ 12,575
Supplemental disclosure of noncash investing and financing activities	
Contribution of marketable securities	$ 326,786

See Notes to Financial Statements.

Note 1 - Organization

The Crenulated Company, Ltd. (the "Company" or "Crenulated") was incorporated in the State of New York on April 21, 1989 for the purposes of providing a wide range of community programs and services, many focused on the youth and young adults, and undertaking community organizing campaigns to build local power for community improvements.

On May 9, 2016, the Company ceased real estate operations when it sold its operating assets to NSA 2015 Owner LLC ("NSA"), a company affiliated through common board control of its parent/sponsor, Settlement Housing Fund, Inc. ("SHF"), a nonprofit organization that provides affordable housing and social service programs for low-income individuals and families in the City of New York.

Note 2 - Financial dependency

The Company was not designed to be self-sufficient and relies on financial assistance from affiliated entities. Since the sale of its real estate operations in 2016, the Company has experienced a cash flow shortage and a net loss from operations. The affiliated entities have indicated they intend to continue to provide such financial support in the future, however should they stop providing this assistance or the Company loses some of its grant funding, management would be need to make strategic decisions regarding which of the most heavily subsidized service programs to curtail or suspend.

Note 3 - Summary of significant accounting policies

Basis of presentation

The Company presents its financial statements in accordance with the accounting guidance for nonprofit entities. Under this guidance, the Company is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. All net assets of the Company are net assets without donor restrictions. Furthermore, information is required to segregate program service expenses from management and general expenses.

The Company conforms to accounting guidance on revenue recognition for nonprofit entities. Under this guidance, contributions received, if any, are recorded as support without or with donor restrictions, depending on the existence and/or nature of any donor restrictions.

Grants and support received with donor-imposed restrictions or payment provisions that are met in the same year as received are reported as increases in net assets without donor restrictions. All other donor-restricted grants are reported as increases in net assets with donor restrictions. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of estimates

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

Cash and cash equivalents
The Company considers all short-term debt securities purchased with maturities of less than one year and all liquid cash-type investments to be cash equivalents.

Equipment
Equipment is carried at cost. Depreciation of rental property is computed primarily using the straight-line method over 5 years.

Grants receivable
Grants receivable represent outstanding expense reimbursements from various granting agencies for expenses incurred under the Company's programs. Grants receivable are charged to bad debt expense when they are determined to be uncollectible based on a periodic review of the accounts by management. GAAP requires that the allowance method be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would have been obtained under the allowance method.

Investments
Investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gain and losses are included in the change in net assets.

Revenue recognition
Revenues from grants with resource providers such as private foundations and the government are accounted for either as exchange transaction or as contributions. Grants that are considered contributions are recognized as revenue when it is probable that the conditions surrounding the terms of the grant commitments are met. Contributions are classified as either conditional or unconditional. Unconditional contributions are recognized as revenue and receivable when the commitment to contribute is received. A conditional contribution is a transaction where the Company has to overcome a barrier or hurdle to be entitled to the resource and the provider is released from the obligation to fund or has the right of return of any advanced funding if the Company fails to overcome the barrier. The Company recognizes the conditional grant revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as conditional contributions in the statements of financial position. Grants that are considered exchange transactions are recognized as revenue when services have been provided in accordance with the terms of the agreement. As of December 31, 2019 there were no grants that are considered exchange transaction.

Tuition and members' dues are recognized as revenue during the period in which the respective program is held. Recognition of tuition and membership dues received in advance are deferred until earned.

Donated assets are recorded at their fair market value on the date of donation.

Fair value measurements
The accounting guidance for fair value measurements and disclosures emphasize the fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant's assumptions in fair value measurements, the guidance establishes a fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity (observable inputs that are classified within Levels 1 and 2 of the hierarchy) and the

reporting entity's own assumptions about market participant assumptions (unobservable inputs classified within Level 3 of the hierarchy). Refer to Note 5 for additional discussion.

Income taxes
The Company has applied for and received a determination letter from the Internal Revenue Service ("IRS") to be treated as a tax-exempt entity pursuant to Section 501(c)(3) of the Internal Revenue Code and did not have any unrelated business income for the year ended December 31, 2019. Due to its tax-exempt status, the Company is not subject to income taxes. The Company is required to file and does file informational returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes, and the Company has no other tax positions which must be considered for disclosure. Informational returns filed by the Company are subject to examination by the IRS for a period of three years. While no informational returns are currently being examined by the IRS, tax years since 2016 remain open.

Change in accounting principles
In November 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-18, *Statement of Cash Flows (Topic 230) - Restricted Cash* ("ASU 2016-18") to address diversity in practice with respect to the cash flows presentation of changes in amounts described as restricted cash and cash equivalents. ASU 2016-18 requires a reporting entity to include amounts described as either restricted cash or restricted cash and cash equivalents (collectively referred to as "restricted cash" herein) when reconciling beginning and ending balances in its statement of cash flows. The update also amends Topic 230 to require disclosures about the nature of restricted cash and provide a reconciliation of cash, cash equivalents and restricted cash between the balance sheet and the statement of cash flows. ASU 2016-18 was adopted retrospectively during the year ended December 31, 2019. Ending cash as of December 31, 2018 was not adjusted, as there was no restricted cash as of December 31, 2018.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* (Topic 606) ("ASU 2014-09"), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or service to customers. Effective January 1, 2019, the Company adopted ASU 2014-09 on a retrospective basis. The modification under ASU 2014-09 were applied to all of the Company's contracts with customers. No practical expedients were applied. ASU 2014-09 replaces most existing revenue recognition guidance in U.S. GAAP when it becomes effective. Adoption of ASU 2014-09 had no impact on the recognition of the Company's revenue during the period presented or on the opening balance of net assets as of January 1, 2019.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The Company has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the financial statements under a modified prospective basis. There is no effect on net assets in connection with the implementation of ASU 2018-08.

Note 4 - Liquidity reserve

Pursuant to the sale of real estate operations to NSA, the Company was required to establish a liquidity reserve account with an initial deposit of $18,280,000, which would be released as certain milestones were met as defined in the Agreement Regarding Sponsor Reserves. During the year ended December 31, 2019, $18,279,559 was released and contributed to SHF. As of December 31, 2019, the balance of the liquidity reserve was $0.

Note 5 - Fair value measurements

The accounting guidance for fair value measurements and disclosures clarifies the principle that fair value should be based on the assumption that market participants would use when pricing the asset or liability, and establishes the following hierarchy:

- Level 1 - Inputs to the valuation methodology are quoted prices available in active markets for identical investments as of the reporting date;
- Level 2 - Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable and fair value can be determined through the use of models or other valuation methodologies; and
- Level 3 - Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability including assumptions regarding risk.

The following table sets forth by level, within the fair value hierarchy, the Company's certified investments at fair value as of December 31, 2019.

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Balance at December 31, 2019
Investments in marketable securities				
Equities and Options	$ 326,786	$ -	$ -	$ 326,786
Total assets	$ 326,786	$ -	$ -	$ 326,786

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The description of the valuation methodologies used for the instruments measured at fair value is described above.

Note 6 - Government contracts

During the year ended December 31, 2019, the Company received payments under various contracts with The State Department of Education in connection with the Youth Development Program. Certain of the advances received as of December 31, 2019 in the amount of $274,903 have not been earned and, accordingly, are reflected in the accompanying statement of financial position as refundable advances. Additionally, advances from various other entities in the total amount of $277,292 had been received but not earned and, accordingly, are reflected in the accompanying statement of financial position as refundable advances.

Note 7 - Related party transactions

Notes receivable

On May 9, 2016, the Company sold its real estate operations, consisting of 14 buildings, to NSA for $84,500,000, the proceeds of which consisted of a seller's note for $61,765,000 with $22,735,000 paid in cash and used to pay the following: approximately $343,000 of closing taxes, fees and charges, satisfaction of the New York City Department of Housing Preservation and Development Article 8A loan of $225,000 and approximately $18,280,000 to fund the liquidity reserve account, with the remaining balance of $3,887,000 advanced to Settlement Housing Fund, Inc. for additional rehabilitation costs of the property sold to NSA. The Company simultaneously executed a seller's reserve loan for $893,000 to fund required reserves under NSA's mortgage obligations with New York State Housing Finance Agency. The terms of the Seller's Notes Receivable provide for interest to accrue at 3.6% per annum, with all principal and accrued interest maturing in October 2048. Repayment of the Seller's Notes Receivable is subordinated to NSA's Multifamily Note to Fannie Mae in the original amount of $24,640,000. During the year ended December 31, 2019, deferred interest income on the notes was $2,223,540. During the year ended December 31, 2019, interest income recognized on the seller's reserve loan totaled $112,826, all of which remains receivable as of December 31, 2019. As of December 31, 2019, the balance of the principal and interest receivable on the seller notes is $62,658,000 and $7,803,712, respectively.

The Seller's Notes Receivable are presented net of $61,765,000 deferred gain from the excess of the sale price for the real estate operation over its carrying value immediately prior to such sale. The deferred excess and interest income on the notes are recognized proportionately as payments are received on the note. During the year ended December 31, 2019, no amounts were recognized.

The net balances of the above loans are summarized below:

Loan	Receivable at 12/31/19	Deferred at 12/31/19	Net at 12/31/19
Seller Note	$ 61,765,000	$ (61,765,000)	$ -
Seller's Reserve Loan	$ 893,000	$ -	$ 893,000
Seller Note - Interest	$ 7,803,512	$ (7,803,512)	$ -
Seller's Reserve Loan - Interest	$ 112,826	$ -	$ 112,826

Line of credit
During 2018, SHF entered into an agreement with TD Bank for a nonrevolving line of credit with a three-year term on behalf of the Company. The line of credit bears interest at 5.5%. As of December 31, 2019, $254,257 has been drawn on the line of credit and advanced to the Company. As of December 31, 2019, $254,257 remains payable to SHF and is included in due to affiliates on the statement of financial position.

During the year ended December 31, 2019, interest of $12,575 was incurred and paid.

Reimbursable costs
The Company is reimbursed for overhead expenses from New Settlement Community Campus Corporation ("NSCCC"), including custodial services, supplies, property insurance and professional fees. During the year ended December 31, 2019, $246,639 of overhead expenses were reimbursed by NSCCC and $522,735 remains receivable as of December 31, 2019 and is included in due from affiliates on the statement of financial position.

Community service fee
The Company provides community service programs to Marcy Baer (an affiliate of the Sponsor). The annual fee for these services is $48,000, as defined in the management services agreement. During the year ended December 31, 2019, $48,000 of fees were recognized and paid in full.

Community center fee
Beginning in September 2012, the Company has a community center use agreement with NSCCC to run its programs, at an annual rate of $200,000, with an annual increase of 3%. During the year ended December 31, 2019, $245,975 of fees were incurred and paid.

Rental expenses
The Company rents community services space from Newset II, an affiliate of the Sponsor, on a month-to-month basis, for the College Access Center and Bronx Helpers programs. The Company has no formal agreement with Newset II for either of the programs. During the year ended December 31, 2019, rent expenses of $12,000 and $14,500 were incurred for the College Access Center and Bronx Helpers programs, respectively.

Advances
The Company advanced noninterest-bearing funds to SHF that are due on demand for rehabilitation of assets at the time of sale of NSA. As of December 31, 2019, the balance of these funds is $4,232,319, inclusive of $3,887,000 advanced at closing, and is included in due from affiliates on the statement of financial position.

The Company has been advanced noninterest-bearing funds from SHF and NSCCC that are due on demand. As of December 31, 2019, the balances of these funds are $26,371 and $805,641, respectively, and are included in due to affiliates on the statement of financial position.

Pursuant to a development agreement between NSA and SHF, development fees are due from NSA to SHF. Beginning in 2017, NSA started paying development fees to Crenulated, in lieu of SHF, to support operations of Crenulated. These funds are owed by Crenulated to SHF and are noninterest-bearing. As of December 31, 2019, $2,400,008 remains payable from the Company to SHF and is included in due to affiliates on the statement of financial position.

The Company has advanced noninterest-bearing funds to NSA that are due on demand for rehabilitation of assets. As of December 31, 2019, the balance of these funds is $133,607 and is included in due from affiliates on the statement of financial position.

The Company has advanced noninterest-bearing funds to 1561 Associates LLC that are due on demand for rehabilitation of assets. As of December 31, 2019, the balance of these funds is $3,478 and is included in due from affiliates on the statement of financial position.

Note 8 - Contingencies

The Company is involved in several personal injury lawsuits in the ordinary course of business. All of these lawsuits are covered by SHF's liability insurance policy, and accordingly, the Company is being defended by counsel appointed by and paid for by the SHF's liability insurance company. Therefore, management has determined that there are no matters that would have an adverse effect on its financial position, activities or cash flows.

Note 9 - Pension plan

The Company participates in the Service Employees International Union, Local 32BJ (the "Union") pension plan, health plan and other welfare plans under a collective bargaining agreement (the "Agreement") that covers certain of the Company's employees. This Agreement expires on March 14, 2023. The pension plan is a multiemployer, noncontributory defined benefit pension plan. The pension plan is administered by a joint board of trustees and employer trustees and operates under

EIN 13-1819138. The pension plan year runs on a calendar-year basis. Employers contribute to the pension plan in accordance with the Agreement, which generally provides that the employers contribute to the pension plan at a fixed rate on behalf of each covered employee. Separate actuarial information regarding such pension plans is not made available to the contributing employers by the Union administrators or trustees, since the plans do not maintain separate records for each reporting unit. However, on March 31, 2017, the actuary certified that for the plan year beginning on January 1, 2017, the pension plan was in critical status under the Pension Protection Act of 2006. The pension plan trustees adopted a rehabilitation plan consistent with this requirement. No surcharges have been paid to the pension plan as of December 31, 2019.

The health plan and other welfare plans provide health and other general benefits to eligible participants under the terms of the Agreement with the Union. The health plan is administered by a board of trustees, with equal representation by the employers and the Union. The health plan and other welfare plans receive contributions in accordance with the Agreement, which generally provides that the employers contribute to the health plan and other welfare plans at fixed rates on behalf of each covered employee. The Agreement was assigned to NSA as of May 9, 2016, the date of the sale of the real estate operations. Contributions made by the Company to the multiemployer benefit plans for the year ended December 31, 2019 are as follows:

Pension plan	$ 69,479
Health plan	289,155
Other welfare plans	86,641
	$ 445,275

The Company sponsors a 403(b) pension plan covering all employees who work a minimum of 1,000 hours per year. Employees can contribute up to a maximum amount allowable by law. The Company matches its employees' contributions up to 5% of each covered employee's salary. Pension expense was $69,479 for the year ended December 31, 2019.

Note 10 - Donated investments

During the year ended December 31, 2019, an individual donated marketable securities in the amount of $328,978, as noted in Note 5.

Note 11 - Concentration of credit risk

The Company maintains cash in multiple commercial banks. The cash accounts are insured by the Federal Deposit Insurance Company up to $250,000. The Company has not experienced any losses with respect to its bank balances in excess of government provided insurance. Management believes that no significant concentration of credit risk exists with respect to the balance as of December 31, 2019.

Note 12 - Subsequent events

Events that occur after the statement of financial position date but before the financial statements were available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of financial position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions after the statement of financial position date require disclosure in the accompanying notes. Management evaluated activity of the Company as of September 8, 2020 (the date the financial statements were available to be issued) and concluded that other than the subsequent even discussed below, no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events have occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity which could result in a loss of lease revenue and other material adverse effects to the Company's financial position, results of operations, and cash flows. The Company is not able to estimate the length or severity of this outbreak and the related financial impact. Management plans to adjust its operations accordingly and will continue to assess and monitor the situation as it evolves. If the length of the outbreak and related effects on the Company's operations continue for an extended period of time the Company may have to seek alternative measures to finance its operations. There is no assurance these measures will be successful. The financial statements do not include any adjustments that might result if the Company is unable to continue as a going concern.

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