

**WEST HARLEM ENVIRONMENTAL
ACTION, INC**

FINANCIAL STATEMENTS

**DECEMBER 31, 2023
(With Report of Independent Auditor)**

Audited Financial Statements

WEST HARLEM ENVIRONMENTAL ACTION, INC

AS OF DECEMBER 31, 2023

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
West Harlem Environmental Action, Inc
New York, NY

Opinion

I have audited the accompanying financial statements of **West Harlem Environmental Action, Inc**, which comprise of the statement of financial position as of December 31, 2023 and the related statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **West Harlem Environmental Action, Inc** as of December 31, 2023 and the results of its operations and its cash flows for the period then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibility under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of **West Harlem Environmental Action, Inc** and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about **West Harlem Environmental Action, Inc's** ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 **West Harlem Environmental Action, Inc's** internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements
- Conclude whether, in my judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about **West Harlem Environmental Action, Inc's** ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

Report on Summarized Comparative Information

I have previously audited the financial statements of **West Harlem Environmental Action, Inc** as of December 31, 2022 and expressed an unmodified audit opinion on those audited financial statements in my report dated July 10, 2023. In my opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

A handwritten signature in blue ink, appearing to be 'S. Kuo', with a long horizontal flourish extending to the right.

Linden, NJ
September 19, 2024

WEST HARLEM ENVIRONMENTAL ACTION, INC**STATEMENT OF FINANCIAL POSITION****AS OF DECEMBER 31, 2023****(With Comparative Totals for 2022)**

	2023	2022
ASSETS		
Current Assets		
Cash and cash equivalents- Note 4	\$ 11,158,965	\$ 17,635,505
Investments - Note 6	1,951,542	150,673
Accounts receivable- Note 5	1,335,000	475,000
Due from affiliate- Note 12	645,229	395,229
Prepaid expenses	45,632	4,514
Total current assets	15,136,368	18,660,921
Construction in progress- Note 9		1,836,935
Loan receivable-Note 9	3,991,900	
Restricted cash- Note 10	1,017,566	
Rent security deposits	40,877	40,877
Fixed assets - net- Notes 2 and 7	2,565,243	92,958
TOTAL ASSETS	\$ 22,751,954	\$ 20,631,691
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accrued expenses payable	\$ 192,630	\$ 242,512
Lease payable- Note 15	281,918	
Other liability		8,596
Total Current Liabilities	474,548	251,108
Lease payable- Note 15	2,006,162	
Loan payable- Note 10	2,254,000	
Total Liabilities	4,734,710	251,108
NET ASSETS		
Without donor restrictions	13,751,784	11,845,352
With donor restrictions- Note 8	4,265,460	8,535,231
Total Net Assets	18,017,244	20,380,583
TOTAL LIABILITIES AND NET ASSETS	\$ 22,751,954	\$ 20,631,691

See notes to financial statements.

WEST HARLEM ENVIRONMENTAL ACTION, INC

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2023

(With Comparative Totals for 2022)

	Without Donor Restrictions	With Restrictions	2023 Totals	2022 Totals
SUPPORT AND REVENUES				
Grants and contributions	\$ 296,162	\$ 8,972,439	\$ 9,268,601	\$ 10,571,089
Government grants		311,407	311,407	278,190
Investment income	77,195		77,195	17,756
Other income	81,029		81,029	131
Unrealized gain/(loss) on investments	203,082		203,082	(145,824)
In kind revenue - Note 14	147,947		147,947	197,262
Reimbursement income	250,000		250,000	250,000
Special events -net- Note 11	458,500		458,500	515,357
Total Support and Revenues	<u>1,513,915</u>	<u>9,283,846</u>	<u>10,797,761</u>	<u>11,683,961</u>
Net assets released from restrictions	<u>13,553,617</u>	<u>(13,553,617)</u>		
TOTAL SUPPORT AND REVENUES	<u>15,067,532</u>	<u>(4,269,771)</u>	<u>10,797,761</u>	<u>11,683,961</u>
EXPENSES				
Programs	11,476,830		11,476,830	6,406,560
Management and general	1,206,671		1,206,671	1,012,829
Fund raising	477,599		477,599	396,451
TOTAL EXPENSES	<u>13,161,100</u>	<u>-</u>	<u>13,161,100</u>	<u>7,815,840</u>
CHANGES IN NET ASSETS	<u>1,906,432</u>	<u>(4,269,771)</u>	<u>(2,363,339)</u>	<u>3,868,121</u>
Net assets at beginning of year	<u>11,845,352</u>	<u>8,535,231</u>	<u>20,380,583</u>	<u>16,512,462</u>
Net assets at end of the year	<u>\$ 13,751,784</u>	<u>\$ 4,265,460</u>	<u>\$ 18,017,244</u>	<u>\$ 20,380,583</u>

See notes to financial statements.

WEST HARLEM ENVIRONMENTAL ACTION, INC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Totals for 2022)

	<u>2023</u>	<u>2022</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (2,363,339)	\$ 3,868,121
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	51,861	41,815
Unrealized gain/(loss) on investments	203,082	(145,824)
Decrease (increase in) operating assets:		
Accounts receivable	(860,000)	130,000
Due from affiliate	(250,000)	(250,000)
Prepaid expenses	(41,118)	12,455
Decrease (increase in) operating liabilities:		
Accrued expenses payable	(49,882)	143,917
Other liability	(8,596)	8,596
Advance payments		(15,044)
Net Cash (Used In)/Provided By Operating Activities	<u>(3,317,992)</u>	<u>3,794,036</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets additions	(236,066)	(61,232)
Construction in progress	1,836,935	(362,917)
Investments	(2,003,951)	291,907
Loan receivable	(3,991,900)	
Net Cash Used In Investing Activities	<u>(4,394,982)</u>	<u>(132,242)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Loan payable proceeds	2,254,000	
NET (DECREASE)'INCREASE IN CASH AND CASH EQUIVALENTS	(5,458,974)	3,661,794
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>17,635,505</u>	<u>13,973,711</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 12,176,531</u></u>	<u><u>\$ 17,635,505</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest expense paid	<u><u>\$ 10,358</u></u>	<u><u>\$ -</u></u>

WEST HARLEM ENVIRONMENTAL ACTION, INC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2023
(With Comparative Totals for 2022)

RECONCILIATION OF CASH BALANCE AS OF DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Checking accounts	\$ 11,158,965	\$ 17,635,505
Restricted cash	1,017,566	
	<u><u>\$ 12,176,531</u></u>	<u><u>\$ 17,635,505</u></u>

See notes to financial statements.

STATEMENT OF FUNCTIONAL EXPENSES

PROGRAM SERVICES

See notes to financial statements

WEST HARLEM ENVIRONMENTAL ACTION, INC

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

NOTE 1 ORGANIZATION

West Harlem Environmental Action, Inc ("WeAct") was organized under the not for profit laws of the State of New York. WeAct's mission is to build healthy communities by ensuring that people of color and or low income residents participate meaningfully in the creation of sound and fair environmental health, protection policies and practices.

WeAct envisions a community that has:

- informed and engaged residents who participate fully in decision-making on key issues that impact their health and community
- strong and equal environmental protections
- increased environmental health through community-based participatory research and evidence-based campaign

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared on the accrual basis of accounting. WeAct adheres to accounting principles generally accepted in the United States of America ("U.S . GAAP")

Method of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting.

Depreciation

Fixed assets are recorded at cost. Depreciation is recorded using the straight line method over the estimated useful life of the assets.

Financial Statement Presentation

The Organization's financial statements adhere to the established standards for external financial statements provided by not-for-profit organizations which require that resources be classified for accounting and reporting purposes into three classes of net assets - permanently restricted, temporarily restricted and unrestricted.

Cash and Cash Equivalents

Cash and cash equivalents include demand and money market accounts. All short-term investments with an original maturity of three months or less are considered cash equivalents.

Revenue Recognition

Revenue is derived from both exchange transactions and contribution transactions. Revenue from exchange transactions is recognized when control of promised services is transferred to our members in an amount that reflects the consideration we expect to be entitled to in exchange for those services.

WEST HARLEM ENVIRONMENTAL ACTION, INC

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

NOTE 2 **SIGNIFICANT ACCOUNTING POLICIES - Continued**

Unconditional contributions are recognized upon receipt of cash or other assets or when a donor promises to transfer cash or other assets in the future. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return or release, are not recognized until the conditions on which they depend have been substantially met.

The Organization's revenue relating to contributions received, including unconditional promises to give, is recognized as revenue in the period received at its fair values. The Organization distinguishes such contributions received for each net asset category in accordance with donor-imposed restrictions.

Financial Statement Presentation

The Organization's financial statements adhere to the established standards for external financial statements provided by not-for-profit organizations which require that resources be classified for accounting and reporting purposes into two of net assets - Net assets without donor restrictions and Net assets with donor restrictions.

Functional Allocation of Expenses

The cost of programs and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited based on same allocation as salaries and benefits. Salaries and benefits have been allocated based upon employees' time and effort to each function.

Subsequent Events

WeAct has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through September 19, 2024, the date the financial statements were available to be issued. No events have occurred subsequent to the statement of financial position date through September 19, 2024, which would require adjustment to or disclosure in the accompanying financial statements.

Estimates

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

In Kind Revenue

Donated services or assets meeting the criteria for recognition in the financial statements are reflected as in kind revenue at their estimated fair value at the date of receipt.

WEST HARLEM ENVIRONMENTAL ACTION, INC

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

NOTE 3 LIQUIDITY AND AVAILABILITY OF RESOURCES FOR OPERATING EXPENDITURES

Income Taxes

WeAct was organized as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue code and is exempt from Federal, State and City income taxes based upon this letter of determination issued by the Internal Revenue Service.

WeAct has no uncertain tax positions as of December 31, 2020 and for prior years in accordance with Accounting Standards Codification ("ASC") Topic 740, "Income Taxes", which provides standards for establishing and classifying tax provisions for uncertain tax positions. The Organization is no longer subject to federal or state and local income tax examinations by the authorities for years ended before December 31, 2020.

WeAct regularly monitors liquidity required to meet its operating needs and other contractual commitments while also striving to maximize the investment of its available funds. There are various sources of liquidity at its disposal, including cash and cash equivalents.

For the purpose of analyzing resources available to meet general expenditures over a 12-month periods. WeAct considers all expenditures related to its ongoing activities stated in Note 1.

In addition to financial assets available to meet general expenditures over the next 12 months, WeAct expects to operate at a surplus and anticipates collecting sufficient revenue to cover general expenditures.

As of December 31, 2023, the financial assets available to meet general expenditures over the next 12 months were as follows:

	Amount
Cash and cash equivalents	\$ 11,158,965
Accounts receivable	1,335,000
Due from affiliate	645,229
Total	<u>\$ 13,139,194</u>

NOTE 4 CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of December 31, 2023 and 2022 consisted of the following:

	2023	2022
Checking accounts	\$ 6,835,415	\$ 7,571,941
Savings accounts	1,808,111	3,482,660
Money market	2,515,439	6,580,904
Total	<u>\$ 11,158,965</u>	<u>\$ 17,635,505</u>

WEST HARLEM ENVIRONMENTAL ACTION, INC

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable as of December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Grants Receivable		
Foundation	\$ 1,335,000	\$ 475,000
Reimbursements		
Total Grants Receivable	<u>\$ 1,335,000</u>	<u>\$ 475,000</u>

NOTE 6 INVESTMENTS

Investments are valued using Level 1 valuation as defined in the Financial Accounting Standard Board ("FASB"), Accounting Standards Codification ("ASC") 820, which used quoted prices for identical assets or liabilities in active markets.

The investments were invested in equities and were valued using Level I valuation as defined above.

Investment balances are as follow as of December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Equities	\$ 292,368	\$ 292,368
Fixed income	1,456,092	
	1,748,460	292,368
Unrealized gain/(loss)-net	203,082	(141,695)
Net	<u>\$ 1,951,542</u>	<u>\$ 150,673</u>

NOTE 7 FIXED ASSETS

Fixed assets as of December 31, 2023 and 2022 consisted of the following:

	<u>2023</u>	<u>2022</u>
Leasehold improvement	\$ 309,366	\$ 270,316
Furniture and equipment	471,224	274,208
Website	16,000	16,000
	796,590	560,524
Less: accumulated depreciation	(519,427)	(467,566)
	277,163	92,958
Operating lease-right-of-use asset	2,288,080	
Net	<u>\$ 2,565,243</u>	<u>\$ 92,958</u>

WEST HARLEM ENVIRONMENTAL ACTION, INC

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consist of the balance of restricted grants received as of December 31, 2023 and 2022 that will be used in the subsequent years. The following represented an analysis as follow:

	2023	2022
Program grants	\$ 4,265,460	\$ 8,535,231
Capital grants		
Total	\$ 4,265,460	\$ 8,535,231

NOTE 9 CONSTRUCTION IN PROGRESS/CONTRIBUTIONS TO JUSTICE CENTER

Construction In Progress

In 2004, WeAct purchased a building from the City of New York for one dollar (\$1). The building which will be used for its office, requires substantial rehabilitation work since the intention is to convert the building into a "green building". It was estimated to cost approximately \$4,500,000 to convert the building and make it operational. Construction funding was expected to be raised from capital grants and general operating grants..

As of December 31, 2022 rehabilitation cost incurred amounted to \$1,836,935 before the building was transferred to another entity in June 2023.

Contributions to Justice Center

As previously stated, during 2023 WeAct transferred ownership of the building to another not for profit entity for purpose of creating a New Market Tax Credit Building. WeAct committed \$1,836,759 in contributions to the project. As of December 31, 2023, total contributions were as followed:

	Amount
Cost of building transferred	\$ 1,836,935
Contributions/expenditures	1,337,238
Total	\$ 3,174,173

Loan receivable

As part of the transfer of the building, WeAct loaned COCRF Investor 225, LLC , an entity involved in the development of the New Market Tax Credit Building, \$3,991,900 in Leverage Loan.

The loan will mature on August 15, 2057 and carries an annual interest rate of 1%. Interest only payments are required up until September 15, 2030. Thereafter quarterly payments of interest and principal will be required.

WEST HARLEM ENVIRONMENTAL ACTION, INC

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

NOTE 10 LOAN PAYABLE/RESTRICTED CASH

Loan Payable

In June 2023, WeAct obtained a loan in the amount of \$2,254,000 from Amalgamated Bank. The proceeds for the loan was used as part of Weact contribution to fund the Justice Center as stated in Note 9.

The loan is payable over seven year as follow: Interest only payments during the first 18 months, thereafter monthly payment of interest and principal. The interest rate will be the greater of 3.97% and 100 basis points over the seven year US Treasury Constant Maturity Index as determine by Amalgamated Bank.

The loan is subject to certain prepayment penalty. Weact can prepay up to 15% of the loan per year without any penalty. Payments exceeding 15% will be subject to penalty ranging from 3% to 1% if prepay before the seventh year.

Future loan payments are as follow:

<u>For Years Ending December 31</u>	<u>Amount</u>
2024	
2025	68,000
2026	68,000
2027	68,000
2028	68,000
Thereafter	1,982,000
Total	<u><u>\$ 2,254,000</u></u>

Restricted Cash

WeAct is required to maintain \$1,000,000 in an account at Amalgamated Bank which will serve as collateral for the above loan .

NOTE 11 SPECIAL EVENTS

Special events for the years ended December 31, 2023 and 2022 were summarized as followed:

	<u>2023</u>	<u>2022</u>
Revenue	\$ 582,997	\$ 589,719
Less: expenses	(124,497)	(74,362)
Net	<u><u>\$ 458,500</u></u>	<u><u>\$ 515,357</u></u>

WEST HARLEM ENVIRONMENTAL ACTION, INC

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

NOTE 12 RELATED PARTY TRANSACTION

WeAct is the sponsor for another non profit entity. During the years ended December 31, 2023 and 2022, amounts due to WeAct from this entity for reimbursements was \$645,229 and \$395,299 respectively.

NOTE 13 PENSION PLAN

WeAct maintains a qualified retirement plan under Section 403b of the Internal Revenue Code for its employees. The plan allows employees to defer a portion of their salaries on a pretax basis through contributions to the plan. WeAct may contribute a certain percent of the employees salary as determined by and at the discretion of the Board of Directors.

WeAct matching contributions made were \$165,043 and \$75,021 for the years ended December 31, 2023 and 2022 respectively.

NOTE 14 COMMITMENT

WeAct entered into two operating lease agreements for its office spaces in New York and Washington DC. The lease for New York will expire on April 30, 2027 and the one for DC will expire September 30, 2034.

Future lease payments are as follow:

<u>For Years Ending December 31</u>	<u>Amount</u>
2024	\$ 353,649
2025	359,178
2026	366,890
2027	282,845
2028	282,845
Thereafter	1,401,620
Total	<u><u>\$ 3,047,027</u></u>

In Kind Revenue

The lease for the DC office requires no payment until starting October 1, 2023. The cost of the lease rebate for the year ended December 31, 2023 was booked as In Kind Revenue in the amount of \$147,947.

WEST HARLEM ENVIRONMENTAL ACTION, INC

NOTES TO FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2023

NOTE 15 LEASE PAYABLE

WeAct adopts the current accounting procedures with respect to Operating Lease reporting. The future lease payments are booked at their present value in the amount of \$2,288,080 as Lease Payable in the liability section of the Statement of Financial Position.

The balance as of December 31, 2023 is as follows:

	<u>Amount</u>
Short term	
2024	<u>\$ 281,918</u>
Long term	
2025	281,918
2026	281,918
2027	281,918
2028	281,918
Thereafter	878,490
	<hr/>
Total long term	<u>2,006,162</u>
Total	<u><u>\$ 2,288,080</u></u>

The offsetting amount is shown as Operating Lease-right-of-use-asset in the asset section of the Statement of Financial Position.