



Seamen's Society for Children and Families

Financial Statements
Year Ended June 30, 2019

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.



Seamen's Society for Children and Families

Financial Statements
Year Ended June 30, 2019

Seamen's Society for Children and Families

Contents

Independent Auditor's Report	3-4
Financial Statements	
Statement of Financial Position as of June 30, 2019	5
Statement of Activities for the Year Ended June 30, 2019	6
Statement of Functional Expenses for the Year Ended June 30, 2019	7
Statement of Cash Flows for the Year Ended June 30, 2019	8
Notes to Financial Statements	9-18



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Independent Auditor's Report

The Board of Directors
Seamen's Society for Children and Families
Staten Island, New York

We have audited the accompanying financial statements of Seamen's Society for Children and Families, which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Seamen's Society for Children and Families as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the financial statements of Seamen's Society for Children and Families as of and for the year ended June 30, 2018, and our report dated January 31, 2019 expressed an unmodified opinion on these financial statements. In our opinion, the summarized comparative information presented herein is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

January 29, 2020

Seamen's Society for Children and Families

Statement of Financial Position (with comparative totals for 2018)

<i>June 30,</i>	2019	2018
Assets		
Current		
Cash and cash equivalents (Note 2)	\$ 519,611	\$ 1,119,531
Accounts receivable (Note 4)	3,906,746	3,359,201
Due from affiliate (Note 7)	93,416	-
Prepaid expenses and other assets	237,429	253,306
Total Current Assets	4,757,202	4,732,038
Fixed Assets, Net (Notes 2 and 5)	306,436	264,935
Total Assets	\$ 5,063,638	\$ 4,996,973
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 906,345	\$ 951,674
Accrued payroll and payroll taxes payable	429,788	453,644
Due to funding source (Notes 2 and 6)	1,106,501	1,125,748
Deferred contract revenue	65,617	80,820
Line of credit (Note 9)	510,000	-
Current portion of capital lease payable (Note 10)	38,041	-
Total Current Liabilities	3,056,292	2,611,886
Capital Lease Payable, less current portion (Note 10)	84,557	-
Total Liabilities	3,140,849	2,611,886
Commitments and Contingencies (Notes 9, 10 and 11)		
Net Assets (Note 2)		
Without donor restrictions	1,816,735	2,304,155
With donor restrictions (Note 12)	106,054	80,932
Total Net Assets	1,922,789	2,385,087
Total Liabilities and Net Assets	\$ 5,063,638	\$ 4,996,973

See accompanying notes to financial statements.

Seamen's Society for Children and Families

Statement of Activities (with comparative totals for 2018)

Year ended June 30,

	Without Donor Restrictions	With Donor Restrictions	Total	
			2019	2018
Program Service Revenue				
Foster Care Programs	\$ 12,272,348	\$ -	\$ 12,272,348	\$ 12,537,849
Health Services	947,849	43,125	990,974	1,591,056
Day Care Services	2,191,869	107,157	2,299,026	2,115,127
Preventive Programs	4,355,077	300	4,355,377	3,498,237
Family Support and Youth Programs	1,049,649	-	1,049,649	846,397
Net assets released from restrictions (Note 12)	165,785	(165,785)	-	-
Total Program Service Revenue	20,982,577	(15,203)	20,967,374	20,588,666
Expenses				
Program services:				
Foster Care Programs	11,445,299	-	11,445,299	11,335,480
Health Services	2,097,696	-	2,097,696	2,012,831
Day Care Services	2,022,407	-	2,022,407	2,068,197
Preventive Programs	3,210,558	-	3,210,558	2,732,809
Family Support and Youth Programs	811,971	-	811,971	704,768
Total Program Services	19,587,931	-	19,587,931	18,854,085
Supporting services:				
Management and general	2,727,822	-	2,727,822	1,903,469
Fundraising	86,425	-	86,425	122,509
Total Supporting Services	2,814,247	-	2,814,247	2,025,978
Total Expenses	22,402,178	-	22,402,178	20,880,063
Change in Net Assets, before support and nonoperating revenues	(1,419,601)	(15,203)	(1,434,804)	(291,397)
Support and Nonoperating Revenues				
Contributions	203,819	40,325	244,144	210,148
Interest and other income	385,298	-	385,298	117,013
Prior-year income	343,064	-	343,064	49,930
Total Support and Nonoperating Revenues	932,181	40,325	972,506	377,091
Change in Net Assets	(487,420)	25,122	(462,298)	85,694
Net Assets, beginning of year	2,304,155	80,932	2,385,087	2,299,393
Net Assets, end of year	\$ 1,816,735	\$ 106,054	\$ 1,922,789	\$ 2,385,087

See accompanying notes to financial statements.

Seamen's Society for Children and Families

**Statement of Functional Expenses
(with comparative totals for 2018)**

Year ended June 30,

	Program Services					Supporting Services				Total	
	Foster Care Program	Health Services	Day Care Services	Preventive Programs	Family Support and Youth Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	2019	2018
Salaries	\$ 4,242,224	\$ 1,091,029	\$ 252,395	\$ 2,088,384	\$ 489,001	\$ 8,163,033	\$ 1,291,446	\$ 54,431	\$ 1,345,877	\$ 9,508,910	\$ 8,145,541
Employee Benefits	903,932	254,626	64,270	437,903	114,694	1,775,425	242,901	11,476	254,377	2,029,802	1,696,459
Total Salaries and Employee Benefits	5,146,156	1,345,655	316,665	2,526,287	603,695	9,938,458	1,534,347	65,907	1,600,254	11,538,712	9,842,000
Other Expenses											
Pass-through payments	4,492,468	-	1,388,508	-	-	5,880,976	-	-	-	5,880,976	6,063,582
Staff expenses	91,795	6,504	806	35,845	7,140	142,090	9,035	2,476	11,511	153,601	160,635
Legal and audit fees	243,615	13,005	16,104	27,390	6,730	306,844	92,070	570	92,640	399,484	346,646
Children's activities	237,948	3,710	5,752	177,022	54,626	479,058	21,707	6,531	28,238	507,296	622,696
Purchase of services	161,622	106,000	6,567	42,139	37,676	354,004	556,089	438	556,527	910,531	883,431
Purchase of health services	38,779	415,890	-	1,439	-	456,108	5,803	-	5,803	461,911	436,239
Supplies	74,549	30,290	9,610	41,876	15,748	172,073	133,875	2,672	136,547	308,620	336,983
Rent	354,765	85,866	19,836	182,000	40,129	682,596	115,188	3,720	118,908	801,504	803,496
Utilities and other property expenses	328,400	15,018	7,365	77,583	19,219	447,585	89,052	1,570	90,622	538,207	586,119
Insurance	229,214	46,736	14,749	98,977	27,008	416,684	58,120	2,141	60,261	476,945	414,364
Administrative expenses	-	-	-	-	-	-	53,973	400	54,373	54,373	9,238
Interest expenses	-	-	-	-	-	-	3,814	-	3,814	3,814	-
Food	-	-	236,445	-	-	236,445	-	-	-	236,445	245,577
Stipends	24,000	-	-	-	-	24,000	-	-	-	24,000	29,498
Total Expenses, before depreciation and amortization	11,423,311	2,068,674	2,022,407	3,210,558	811,971	19,536,921	2,673,073	86,425	2,759,498	22,296,419	20,780,504
Depreciation and Amortization	21,988	29,022	-	-	-	51,010	54,749	-	54,749	105,759	99,559
Total Expenses	\$ 11,445,299	\$ 2,097,696	\$ 2,022,407	\$ 3,210,558	\$ 811,971	\$ 19,587,931	\$ 2,727,822	\$ 86,425	\$ 2,814,247	\$ 22,402,178	\$ 20,880,063

See accompanying notes to financial statements.

Seamen's Society for Children and Families

Statement of Cash Flows (with comparative totals for 2018)

<i>Year ended June 30,</i>	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ (462,298) \$	85,694
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	105,759	99,559
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(547,545)	117,098
Due from affiliate	(93,416)	185,380
Prepaid expenses and other assets	15,877	(37,206)
(Decrease) increase in:		
Accounts payable and accrued expenses	(45,329)	(26,240)
Accrued payroll and payroll taxes payable	(23,856)	129,120
Due to funding source	(19,247)	142,600
Deferred contract revenue	(15,203)	(56,055)
Total Adjustments	(622,960)	554,256
Net Cash (Used in) Provided by Operating Activities	(1,085,258)	639,950
Cash Flows from Investing Activities		
Purchase of fixed assets	(24,662)	(125,735)
Cash Flows from Financing Activities		
Proceeds from line of credit	510,000	-
Net (Decrease) Increase in Cash and Cash Equivalents	(599,920)	514,215
Cash and Cash Equivalents, beginning of year	1,119,531	605,316
Cash and Cash Equivalents, end of year	\$ 519,611 \$	1,119,531
Supplemental Disclosures of Cash Flow and Noncash Information		
Noncash transaction related to capital leases	\$ 122,598 \$	-
Cash paid for unrelated business income taxes	6,000	-
Cash paid for interest expenses	3,698	-

See accompanying notes to financial statements.

Seamen's Society for Children and Families

Notes to Financial Statements

1. Nature of Organization

Seamen's Society for Children and Families (the Society) is a private, non-profit organization established in 1846 to provide aid to children and families in need. During 1998, the Society formally changed its name from the Society for Seamen's Children to Seamen's Society for Children and Families. The Society receives the majority of funding from the Administration for Children's Services, supplemented by public and private grants and contracts. The Society operates a foster care and adoption program, a family day care program, and a range of family support and youth programs.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements of the Society have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) as applicable to not-for-profit organizations. In the statement of financial position, assets and liabilities are presented in order of their maturity resulting in the use of cash.

Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. It requires that the amounts for both classes of net assets—with donor restrictions and without donor restrictions—be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

With Donor Restrictions - This class consists of net assets resulting from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Society, pursuant to those stipulations. When such stipulations end or are fulfilled, such donor-restricted net assets are reclassified to net assets without donor restrictions and reported in the statement of activities. Net assets resulting from contributions and other inflows of assets whose use by the Society is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or other removed by actions of the Society are classified as net assets with donor restrictions—perpetual in nature. As of June 30, 2019, the Society had no net assets with donor restrictions to be held in perpetuity.

Without Donor Restrictions - This class consists of the part of net assets that is not subject to donor-imposed stipulations.

Cash and Cash Equivalents

The Society considers all money market accounts and all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Seamen's Society for Children and Families

Notes to Financial Statements

Concentration of Credit Risk

Financial instruments that potentially subject the Society to concentration of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporate (FDIC) insurance limits. At various times during the year, the Society may have cash deposits at financial institutions in excess of FDIC insurance limits.

The Society has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on its cash and cash equivalent accounts.

Allowance for Doubtful Accounts

The Society provides an allowance for doubtful accounts for accounts receivable, which is the Society's best estimate of the amount of probable credit losses in the Society's existing accounts receivable. Such estimate is based on management's assessments of the creditworthiness for its donors and funding sources, as well as current economic conditions and historical information. Management believes accounts receivable are fully collectible and no allowance is deemed necessary at June 30, 2019.

Contributions and Promises to Give

Contributions and unconditional promises to give are recorded as revenue when either unsolicited cash is received or when donors make an unconditional promise to give. Contributions and unconditional promises to give are reported as an increase in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose-restriction is accomplished—net assets with donor restrictions are reclassified to without donor restrictions and reported in the statement of activities as net assets released from restrictions. Unconditional promises to give greater than one year are recorded at net present value.

Fixed Assets

Fixed assets are stated at cost. Items of \$1,000 or more and an estimated useful life of greater than one year are capitalized at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets. Equipment under capital leases that contains a bargain purchase option are amortized over the estimated useful lives.

Leasehold improvements	5-15 years
Furniture, fixtures and equipment	3-10 years
Vehicles	2-3 years

Impairment of Long-Lived Assets

The Society reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2019, there have been no such losses.

Seamen's Society for Children and Families

Notes to Financial Statements

Program Revenue and Revenue Recognition

Government Grants and Contracts

Revenue from government grants and contracts is generally recognized as earned—that is, as related costs are incurred under such agreements, they are recognized as revenue in the period in which services are rendered or (when applicable) performance-based milestones are reached.

Revenue from certain government grants is recognized by the Society in full, upon receipt of award. Grants are recognized as without donor restrictions support only to the extent of actual expenses incurred in compliance with grantor-imposed restrictions.

All grant monies received in advance or excess of revenue earned are recorded as deferred revenue.

The Society is subject to audits and reviews of reimbursable costs by New York State and New York City. The outcome of these audits and reviews may have the effect of retroactively increasing or decreasing daily rates paid for various services. Any such retroactive adjustment would be recorded in the year when the amount becomes fixed and determinable.

Medical and Psychological Services

The Society provides medical and psychological services to children enrolled in the Society's foster care program. The services are reimbursed by Medicaid through rates established by the Medicaid Child Care Reimbursement Agency. The Society recognizes revenue based upon these rates at the time the services are provided.

Due to Funding Source

The Society receives substantially all of its revenue from services provided to approved clients from funding source reimbursement agencies, primarily the Administration for Children's Services. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective funding source fiscal intermediary. The financial statement impact of such adjustments is recognized in the period in which the retroactive adjustment occurs or becomes known.

Operating Indicator

The loss from operations of the Society includes all revenue without donor restrictions, expenses and losses for the reporting period, except for gifts and contributions without donor restrictions, interest and other income and prior-year income. These latter items, as applicable, are reflected as support and nonoperating revenue separately stated in the accompanying statement of activities.

Functional Classification of Expenses

The cost of providing the Society's programs and other activities has been summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited, based upon predetermined allocation rates. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide

Seamen's Society for Children and Families

Notes to Financial Statements

for the overall support and direction of the Society. Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Society generally does not conduct its fundraising activities in conjunction with its other activities.

Certain categories of expenses that are attributable to one or more program or supporting functions of the Society. Those expenses include depreciation and amortization, the administrative and executive offices, telephone expenses, personnel costs and general third-party processing expenses, and the information technology department. These expenses are attributable to more than one function and are allocated to the Society's programmatic functions for financial reporting purposes using square footage, head count, or time-study allocation methodologies, as determined by management.

Income Taxes

The Society was incorporated in the State of New York and is exempt from federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the Code). The Society has been determined by the Internal Revenue Service (IRS) not to be a "private foundation" within the meaning of Section 509(a) of the Code. Unrelated business income for the year ended June 30, 2019 was \$8,661 in relation to Disallowed Fringes under IRC Section 512(a)(7).

Under U.S. GAAP, an organization must recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Society does not believe it has taken any material uncertain tax positions and, accordingly, it has not recorded any liability for unrecognized tax benefits. The Society has filed for and received income tax exemptions in the jurisdictions where it is required to do so. Additionally, the Society has filed the IRS Form 990 tax return as required, and all other applicable returns in jurisdiction where so required. The Society is subject to routine audits by a taxing authority. As of June 30, 2019, the Society was not subject to any examination by a taxing authority.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. With respect to the statement of activities, the prior-year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior-year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Society's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

Seamen's Society for Children and Families

Notes to Financial Statements

Reclassifications

Certain prior-year balances have been reclassified to be consistent with the current-year financial statement presentation. These reclassifications had no impact on change in net assets or ending net assets.

Recently Adopted Accounting Pronouncement

Financial Statements of Not-for-Profits

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-14, "Not-for-Profit Entities (Topic 958) and Health Care Entities (Topic 954) - Presentation of Financial Statements of Not-for-Profit Entities." This is the first major change to the nonprofit financial statement model in over 20 years, which is intended to provide more useful information to donors, grantors, funders and other users. These statements reflect the adoption of ASU 2016-14, which has been applied retroactively to all periods presented.

Accounting Pronouncements Issued but Not Yet Adopted

Revenue from Contracts with Customers (Topic 606)

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB also issued ASU 2015-14, which deferred the effective date for the Society until annual periods beginning after December 15, 2018. Earlier adoption is permitted, subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented, or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made

In June 2018, the FASB issued ASU No. 2018-08, "Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". The update clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred, which, depending on the outcome, determines whether the Society follows contribution guidance or exchange transactions guidance in the revenue recognition and other applicable standards. The update also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. The guidance is effective for the Society's fiscal year 2019, and the adoption of this update did not have a material impact on the Society's financial statements.

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." This ASU requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to

Seamen's Society for Children and Families

Notes to Financial Statements

use the underlying asset for the lease term and a liability to make lease payments. For leases with a lease term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a right-of-use asset or lease liability. A lessee making this accounting policy election would recognize lease expense over the term of the lease, generally in a straight-line pattern. This guidance is effective for financial statements issued for fiscal years beginning after December 15, 2020. Early adoption is permitted. In transition, a lessee and a lessor will recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach includes a number of optional practical expedients. These practical expedients relate to identifying and classifying leases that commenced before the effective date, initial direct costs for leases that commenced before the effective date, and the ability to use hindsight in evaluating lessee options to extend or terminate a lease or to purchase the underlying asset. ASU 2018-11 was issued in June 2018, which also permits entities to choose to initially apply ASU 2016-02 at the adoption date and recognize a cumulative-effect adjustment to the opening balance of net assets in the period of adoption. Management is currently evaluating the impact of this ASU on its financial statements.

Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement

In August 2018, the FASB issued ASU No. 2018-13, "Fair Value Measurement (Topic 820), Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement." The update modifies certain disclosure requirements in Topic 820, "Fair Value Measurement." The standard is effective for non-public business entities for fiscal years beginning after December 15, 2019, and Management of the Society is currently evaluating the impact of this ASU on its financial statements.

3. Liquidity and Availability of Resources

The Society's financial assets available within one year of the statement of financial position date for general expenditures are as follows:

June 30, 2019

Total Current Assets	\$	4,757,202
Less: amounts unavailable for general expenditures within one year, due to:		
Prepaid expenses and other current assets		(237,429)
Donor-imposed program restrictions		(106,054)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	\$	4,413,719

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Society has a line of credit available to use, if needed, which is further discussed in Note 9.

Seamen's Society for Children and Families

Notes to Financial Statements

4. Accounts Receivable

The accounts receivable balance consists of the following:

June 30, 2019

Foster Care Program	\$	2,466,836
Day Care Services		206,365
Health Services		176,212
Preventive Programs		994,466
Family Support and Youth Programs		10,407
Other		52,460
Total	\$	3,906,746

5. Fixed Assets, Net

Fixed assets, net, consist of the following:

June 30, 2019

Leasehold improvements	\$	927,237
Furniture, fixtures and equipment		520,534
Vehicles		45,000
		1,492,771
Less: accumulated depreciation and amortization		(1,186,335)
Fixed Assets, Net	\$	306,436

Depreciation and amortization expense was \$105,759 for the year ended June 30, 2019. Additionally, the equipment that was subject to a capital lease as of June 30, 2019 has not yet been placed in service.

6. Due to Funding Source

Due to funding source consists of the following:

June 30, 2019

Overpayments to be recouped from future periods' payments by ACS	\$	427,946
Fair hearings overpayment by ACS		179,099
Due to ACS Foster Care Program		499,456
	\$	1,106,501

7. Transactions with Affiliate

The Society is an affiliate of Friends of Seamen's Society (Friends), a not-for-profit corporation established to support and benefit the Society, primarily through the ownership, development,

Seamen's Society for Children and Families

Notes to Financial Statements

management and maintenance of real property used by the Society in furtherance of its organizational purposes.

Lease

Friends was established on August 7, 2000 to benefit the Society in the acquisition of the 50 Bay Street location and its ongoing related costs. Friends leases the facility located at 50 Bay Street to the Society under a lease agreement, which expires in November 2036. Rent charged by Friends per the agreement is \$47,500 a month, which totaled \$570,000 for the year ended June 30, 2019.

Contribution from Affiliate

The Society received a contribution from Friends in the amount of \$155,157, of which \$93,416 was the outstanding balance of due from affiliate for the year ended June 30, 2019.

Management Agreement

Friends entered into a management agreement (the Agreement) with the Society, effective January 1, 2014. Under the terms of the Agreement, the Society is reimbursed for a reasonable percentage of fundraising expenses incurred by the Society and shared costs associated with the fundraising department. The Society recorded the management fee in other income in the amount of \$83,433 for the year ended June 30, 2019.

Guarantee

On September 27, 2017, Friends refinanced the IDA-issued Civic Facility Revenue Series 2004 bonds through Bridge Funding Group, Inc. Build NYC Resource Corporation Series A tax-exempt bond for the amount of \$3,988,000, which matures on September 1, 2032, and BankUnited, N.A. Build NYC Resource Corporation Series B taxable bond in the amount of \$310,000, which matures on September 1, 2022. Additionally, in order to further secure the bonds, Friends and the Society (collectively referred to as Guarantors) have entered into a guaranty agreement with the issuer and the U.S. Bank National Association, guaranteeing, among other things, the payment of the principal of the redemption premium, if any, and purchase price and interest on the bonds. At June 30, 2019, the outstanding balance for both bonds was 3,879,000.

8. Retirement Plan

The Society has a 403(b) plan that covers substantially all of the employees. Contributions are made to the individual accounts of the eligible employees, based upon a fixed percentage of their total eligible compensation. The percentage contributed to employee accounts was 5% during the year ended June 30, 2019, resulting in an expense to the Society of \$321,509.

9. Line of Credit

On September 27, 2017, the Society entered into a line of credit agreement with BankUnited, N.A. in the amount of up to \$750,000. The line of credit is secured by a first-priority security interest in all assets and personal property of the Society. All obligations of the Society were guaranteed by Friends, pursuant to the form of guaranty outlined in the Agreement. The line of credit bears an interest rate of the London Interbank Offered Rate (LIBOR), which was 4.73% as June 30, 2019. At June 30, 2019, the balance on the line of credit was \$510,000. The provisions of the financing with

Seamen's Society for Children and Families

Notes to Financial Statements

the lender require the Society to establish and maintain certain financial covenants. At June 30, 2019, the Society was not in compliance with its financial covenant. The lender has provided a waiver to the Society for the covenant violation. The line of credit expires on March 1, 2021.

10. Capital Lease Payable

On December 26, 2018, the Society entered into a capital lease agreement for a telephone system with an unrelated party for \$107,290 for the operations of the Society. The lease requires monthly payments of \$3,026 principal and interest, at a rate of 1% per annum. Monthly installments commenced in August 2019 for 36 months.

On May 3, 2019, the Society entered into a capital lease agreement for a conference call system with an unrelated party for \$15,308 for the operations of the Society. The lease requires monthly payments of \$432 principal and interest, at a rate of 1% per annum. Monthly installments commenced in August 2019 for 36 months.

The following is a schedule of future minimum lease payments, including interest under the terms of the leases, together with the present value of the net minimum lease payments, as of June 30, 2019:

<i>Year ending June 30,</i>	
2020	\$ 38,041
2021	41,499
2022	41,499
2023	3,458
Total Minimum Lease Payments	124,497
Less: amount representing interest	1,899
Present Value of Net Minimum Lease Payments	122,598
Less: current portion	38,041
Long-Term	\$ 84,557

11. Commitments and Contingencies

Leases

The Society rents certain office and medical space, office equipment, and automobiles under various operating leases. Future minimum rental payments required under these leases are:

2020	\$ 861,849
2021	855,719
2022	683,689
2023	571,603
2024	570,000
Thereafter	6,507,500
	\$ 10,050,360

Seamen's Society for Children and Families

Notes to Financial Statements

Rental expense under these leases was \$794,591 for the year ended June 30, 2019.

Litigation

Various lawsuits against the Society may arise in the ordinary course of the Society's business. Contingent liabilities arising from ordinary course litigation and other matters are not expected to be material in relation to the financial position of the Society. At June 30, 2019, there were no material known contingent liabilities arising outside the normal course of business.

12. Net Assets with Donor Restrictions and Net Assets Released from Donor Restrictions

Net assets with donor restrictions consist of the following:

June 30, 2019

Restricted for programs and future periods:		
Scholarships	\$	40,325
Foster care		43,227
Preventive		12,630
Day care		9,872
Total Net Assets with Donor Restrictions	\$	106,054

During the year ended June 30, 2019, the net assets released from donor restrictions were as follows:

June 30, 2019

Foster care	\$	24,509
Preventive		34,111
Day care		107,165
Total	\$	165,785

13. Subsequent Events

The Society's management has performed subsequent events procedures through January 29, 2020, which is the date the financial statements were available to be issued, and there were no subsequent events requiring adjustment to the financial statements or disclosures as stated herein.