

# **Seamen's Society for Children and Families**

**Financial Statements**  
Year Ended June 30, 2020

# **Seamen's Society for Children and Families**

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Financial Statements  
Year Ended June 30, 2020

# Seamen's Society for Children and Families

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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, 2020, 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 Seamen's Society for Children and Families as of June 30, 2020, 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, 2019, and our report dated January 29, 2020 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 28, 2021

# Seamen's Society for Children and Families

## Statement of Financial Position (with comparative totals for 2019)

<i>June 30,</i>	2020	2019
<b>Assets</b>		
<b>Current</b>		
Cash and cash equivalents (Note 3)	\$ 82,124	\$ 519,611
Accounts receivable (Note 5)	4,220,530	3,906,746
Due from affiliate (Note 8)	9,306	93,416
Prepaid expenses and other assets	282,701	237,429
<b>Total Current Assets</b>	<b>4,594,661</b>	<b>4,757,202</b>
<b>Fixed Assets, Net (Notes 3 and 6)</b>	<b>195,983</b>	<b>306,436</b>
<b>Total Assets</b>	<b>\$ 4,790,644</b>	<b>\$ 5,063,638</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 1,152,974	\$ 906,345
Accrued payroll and payroll taxes payable	526,672	429,788
Due to funding source (Notes 3 and 7)	947,007	1,106,501
Deferred contract revenue	184,555	65,617
Line of credit (Note 10)	700,000	510,000
Current portion of capital lease payable (Note 11)	41,499	38,041
<b>Total Current Liabilities</b>	<b>3,552,707</b>	<b>3,056,292</b>
<b>Capital Lease Payable, less current portion (Note 10)</b>	<b>48,434</b>	<b>84,557</b>
<b>Total Liabilities</b>	<b>3,601,141</b>	<b>3,140,849</b>
<b>Commitments and Contingencies (Notes 2, 3, 4, 7, 8, 9, 10, 11, 12, 13, 14 and 15)</b>		
<b>Net Assets (Note 3)</b>		
Without donor restrictions	888,838	1,816,735
With donor restrictions (Note 13)	300,665	106,054
<b>Total Net Assets</b>	<b>1,189,503</b>	<b>1,922,789</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 4,790,644</b>	<b>\$ 5,063,638</b>

*See accompanying notes to financial statements.*

# Seamen's Society for Children and Families

## Statement of Activities (with comparative totals for 2019)

*Year ended June 30,*

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
<b>Program Service Revenue</b>				
Foster Care Programs	\$ 11,238,702	\$ -	\$ 11,238,702	\$ 12,346,171
Health Services	1,015,948	129,375	1,145,323	990,974
Day Care Services	1,975,253	5,000	1,980,253	2,201,037
Preventive Programs	4,363,879	25,752	4,389,631	4,319,241
Family Support and Youth Programs	882,653	-	882,653	1,054,047
Net assets released from restrictions (Note 13)	50,444	(50,444)	-	-
<b>Total Program Service Revenue</b>	<b>19,526,879</b>	<b>109,683</b>	<b>19,636,562</b>	<b>20,911,470</b>
<b>Expenses</b>				
Program services:				
Foster Care Program	10,707,926	-	10,707,926	11,445,299
Health Services	1,782,494	-	1,782,494	2,066,417
Day Care Services	1,820,313	-	1,820,313	2,022,407
Preventive Programs	4,002,664	-	4,002,664	3,795,860
Family Support and Youth Programs	85,345	-	85,345	257,948
<b>Total Program Services</b>	<b>18,398,742</b>	<b>-</b>	<b>18,398,742</b>	<b>19,587,931</b>
Supporting services:				
Management and general	2,658,509	-	2,658,509	2,727,822
Fundraising	259,573	-	259,573	86,425
<b>Total Supporting Services</b>	<b>2,918,082</b>	<b>-</b>	<b>2,918,082</b>	<b>2,814,247</b>
<b>Total Expenses</b>	<b>21,316,824</b>	<b>-</b>	<b>21,316,824</b>	<b>22,402,178</b>
<b>Change in Net Assets, before support and nonoperating revenues</b>	<b>(1,789,945)</b>	<b>109,683</b>	<b>(1,680,262)</b>	<b>(1,490,708)</b>
<b>Support and Nonoperating Revenues</b>				
Contributions	64,418	446,462	510,880	198,935
Interest and other income	436,096	-	436,096	829,475
Net assets released from restrictions (Note 13)	361,534	(361,534)	-	-
<b>Total Support and Nonoperating Revenues</b>	<b>862,048</b>	<b>84,928</b>	<b>946,976</b>	<b>1,028,410</b>
<b>Change in Net Assets</b>	<b>(927,897)</b>	<b>194,611</b>	<b>(733,286)</b>	<b>(462,298)</b>
<b>Net Assets, beginning of year</b>	<b>1,816,735</b>	<b>106,054</b>	<b>1,922,789</b>	<b>2,385,087</b>
<b>Net Assets, end of year</b>	<b>\$ 888,838</b>	<b>\$ 300,665</b>	<b>\$ 1,189,503</b>	<b>\$ 1,922,789</b>

*See accompanying notes to financial statements.*

Seamen's Society for Children and Families

Statement of Functional Expenses  
(with comparative totals for 2019)

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	2020	2019
Salaries	\$ 4,023,150	\$ 992,537	\$ 277,770	\$ 2,538,853	\$ 51,473	\$ 7,883,783	\$ 1,508,540	\$ 160,000	\$ 1,668,540	\$ 9,552,323	\$ 9,508,910
Employee benefits	906,726	202,287	61,868	568,424	6,898	1,746,203	175,108	43,970	219,078	1,965,281	2,029,802
<b>Total Salaries and Employee Benefits</b>	<b>4,929,876</b>	<b>1,194,824</b>	<b>339,638</b>	<b>3,107,277</b>	<b>58,371</b>	<b>9,629,986</b>	<b>1,683,648</b>	<b>203,970</b>	<b>1,887,618</b>	<b>11,517,604</b>	<b>11,538,712</b>
<b>Other Expenses</b>											
Pass-through payments	3,851,263	-	1,229,325	-	-	5,080,588	-	-	-	5,080,588	5,880,976
Staff expenses	59,644	3,246	285	24,165	350	87,690	4,892	60	4,952	92,642	153,601
Legal and audit fees	236,897	12,314	8,886	32,363	590	291,050	128,535	972	129,507	420,557	399,484
Children's activities	230,972	1,782	2,044	201,553	37	436,388	12,446	30,657	43,103	479,491	507,296
Purchase of services	237,574	129,670	19,720	149,928	4,542	541,434	261,498	760	262,258	803,692	910,531
Purchase of health services	38,044	246,010	-	1,502	-	285,556	5,281	-	5,281	290,837	461,911
Supplies	89,844	34,126	9,095	43,683	820	177,568	116,410	7,610	124,020	301,588	308,620
Rent	369,117	85,866	19,836	215,905	3,767	694,491	108,781	7,068	115,849	810,340	801,504
Utilities and other property expenses	355,965	17,114	9,672	92,176	1,778	476,705	103,903	3,424	107,327	584,032	538,207
Insurance	267,016	55,507	17,517	134,112	2,636	476,788	69,555	4,379	73,934	550,722	476,945
Administrative expenses	-	-	-	-	-	-	57,247	-	57,247	57,247	54,373
Interest expenses	-	-	-	-	-	-	29,836	-	29,836	29,836	3,814
Food	-	-	164,295	-	-	164,295	-	-	-	164,295	236,445
Stipends	22,900	-	-	-	-	22,900	-	-	-	22,900	24,000
<b>Total Expenses, before depreciation and amortization</b>	<b>10,689,112</b>	<b>1,780,459</b>	<b>1,820,313</b>	<b>4,002,664</b>	<b>72,891</b>	<b>18,365,439</b>	<b>2,582,032</b>	<b>258,900</b>	<b>2,840,932</b>	<b>21,206,371</b>	<b>22,296,419</b>
<b>Depreciation and Amortization</b>	<b>18,814</b>	<b>2,035</b>	<b>-</b>	<b>-</b>	<b>12,454</b>	<b>33,303</b>	<b>76,477</b>	<b>673</b>	<b>77,150</b>	<b>110,453</b>	<b>105,759</b>
<b>Total Expenses</b>	<b>\$ 10,707,926</b>	<b>\$ 1,782,494</b>	<b>\$ 1,820,313</b>	<b>\$ 4,002,664</b>	<b>\$ 85,345</b>	<b>\$ 18,398,742</b>	<b>\$ 2,658,509</b>	<b>\$ 259,573</b>	<b>\$ 2,918,082</b>	<b>\$ 21,316,824</b>	<b>\$ 22,402,178</b>

See accompanying notes to financial statements.



## Seamen's Society for Children and Families

### Statement of Cash Flows (with comparative totals for 2019)

<i>Year ended June 30,</i>	<b>2020</b>	<b>2019</b>
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ (733,286)	\$ (462,298)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	110,453	105,759
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(313,784)	(547,545)
Due from affiliate	84,110	(93,416)
Prepaid expenses and other assets	(45,272)	15,877
Increase (decrease) in:		
Accounts payable and accrued expenses	246,629	(45,329)
Accrued payroll and payroll taxes payable	96,884	(23,856)
Due to funding source	(159,494)	(19,247)
Deferred contract revenue	118,938	(15,203)
<b>Total Adjustments</b>	<b>138,464</b>	<b>(622,960)</b>
<b>Net Cash Used in Operating Activities</b>	<b>(594,822)</b>	<b>(1,085,258)</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of fixed assets	-	(24,662)
<b>Cash Flows from Financing Activities</b>		
Proceeds from line of credit	490,000	510,000
Repayment to line of credit	(300,000)	-
Repayment of capital lease obligations	(32,665)	-
<b>Net Cash Provided by Financing Activities</b>	<b>157,335</b>	<b>510,000</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(437,487)</b>	<b>(599,920)</b>
<b>Cash and Cash Equivalents, beginning of year</b>	<b>519,611</b>	<b>1,119,531</b>
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 82,124</b>	<b>\$ 519,611</b>
<b>Supplemental Disclosure of Cash Flow and Noncash Information</b>		
Noncash transaction related to capital leases	\$ -	\$ 122,598
Cash paid for unrelated business income taxes	2,778	6,000
Cash paid for interest expenses	29,836	3,698

*See accompanying notes to financial statements.*

# Seamen's Society for Children and Families

## Notes to Financial Statements

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### 1. Nature of Organization

Seamen's Society for Children and Families (the Society) is a private, not-for-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 (ACS), 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. Financial and Liquidity Consideration

The Society has recurring operating losses. Management has a turnaround plan focused on cutting expenses, while increasing revenues. Management has reduced its overhead expenses by \$750,000 for FY 2021. Management believes that it will increase the number of care days serviced in FY 2021. Starting with FY 2021, the Society will receive significant rate increase for several of the programs that caused the deficits in 2019 and 2020.

Subsequent to year end, the Society has received approximately \$418,000 from the U.S. Department of Health & Human Services (HHS) Provider Relief Fund Phase II. Also the Society has applied for and was approved for additional funding from the Phase III funding from HHS. In addition, the Society is working on increasing its line of credit from \$750,000 to \$1,200,000.

### 3. 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

# Seamen's Society for Children and Families

## Notes to Financial Statements

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nature. As of June 30, 2020, 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.

### ***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 Corporation (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, 2020.

### ***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.

# Seamen’s Society for Children and Families

## Notes to Financial Statements

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### **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 is amortized over the estimated useful lives.

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

### **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, 2020, there have been no such losses.

### **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.

# Seamen's Society for Children and Families

## Notes to Financial Statements

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### ***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 ACS. 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 revenues 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 that provide 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.

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

# Seamen's Society for Children and Families

## Notes to Financial Statements

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taxing authority. As of June 30, 2020, 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, 2019, from which the summarized information was derived.

### ***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***

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

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 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 2020, and the adoption of this update did not have a material impact on the Society's financial statements.

### ***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

# Seamen's Society for Children and Families

## Notes to Financial Statements

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consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2020-05, which deferred the effective date for the Society until annual periods beginning after December 15, 2020. 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.

### *Leases (Topic 842)*

On February 25, 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and to recognize a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The FASB issued ASU 2020-05, which deferred the effective date for the Society until annual periods beginning after December 15, 2021. Management of the Society is currently evaluating the impact of the pending adoption of ASU 2016-02.

### *Fair Value Measurement (Topic 820): Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement*

In August 2018, the FASB issued ASU 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.

## 4. 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, 2020*

Cash and cash equivalents	\$	82,124
Accounts receivable		4,220,530
Due from affiliate		9,306
<b>Total Financial Assets Available Within One Year</b>		<b>4,311,960</b>
Less: amounts unavailable to management for general expenditures:		
Donor-imposed program restrictions		(300,665)
<b>Total Financial Assets Available to Management for General Expenditures Within One Year</b>	<b>\$</b>	<b>4,011,295</b>

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 10.

# Seamen's Society for Children and Families

## Notes to Financial Statements

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### 5. Accounts Receivable

The accounts receivable balance consists of the following:

*June 30, 2020*

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Foster Care Program	\$	2,797,517
Day Care Services		354,162
Health Services		291,536
Preventive Programs		653,977
Family Support and Youth Programs		1,281
Other		122,057
<b>Total</b>	<b>\$</b>	<b>4,220,530</b>

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### 6. Fixed Assets, Net

Fixed assets, net, consist of the following:

*June 30, 2020*

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Leasehold improvements	\$	927,237
Furniture, fixtures and equipment		520,534
Vehicles		45,000
		1,492,771
Less: accumulated depreciation and amortization		(1,296,788)
<b>Fixed Assets, Net</b>	<b>\$</b>	<b>195,983</b>

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Depreciation and amortization expense was \$110,453 for the year ended June 30, 2020.

### 7. Due to Funding Source

Due to funding source consists of the following:

*June 30, 2020*

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Overpayments to be recouped from future periods' payments by ACS	\$	427,946
Fair hearings overpayment by ACS		345,937
Due to ACS Foster Care Program		173,124
	<b>\$</b>	<b>947,007</b>

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



# Seamen's Society for Children and Families

## Notes to Financial Statements

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### ***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, 2020.

### ***Contribution from Affiliate***

The Society received a contribution from Friends in the amount of \$203,746, of which \$9,306 was the outstanding balance of due from affiliate for the year ended June 30, 2020.

### ***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 \$120,000 for the year ended June 30, 2020.

### ***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 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, 2020, the outstanding balance for both bonds was \$3,627,000.

## **9. 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, 2020, resulting in an expense to the Society of \$77,560.

## **10. 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 2.47% as June 30, 2020. At June 30, 2020, the balance on the line of credit was \$700,000. The provisions of the financing with the lender require the Society to establish and maintain certain financial covenants. At June 30, 2020, the Society was not in compliance with its financial covenant. On January 21, 2021, the lender has provided a waiver to the Society for the covenant violation. The line of credit expires

# Seamen's Society for Children and Families

## Notes to Financial Statements

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on March 1, 2021. As discussed in Note 2, the Society is working on increasing its line of credit from \$750,000 to \$1,200,000.

### 11. 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, 2020:

<i>Year ending June 30,</i>	
2021	\$ 41,499
2022	41,499
2023	8,834
<b>Total Minimum Lease Payments</b>	<b>91,832</b>
<b>Less: amount representing interest</b>	<b>(1,899)</b>
<b>Present Value of Net Minimum Lease Payments</b>	<b>89,933</b>
<b>Less: current portion</b>	<b>(41,499)</b>
<b>Long-Term</b>	<b>\$ 48,434</b>

### 12. 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:

<i>Year ending June 30,</i>	
2021	\$ 867,879
2022	712,557
2023	579,617
2024	571,603
2025	570,000
Thereafter	5,937,500
	<b>\$ 9,239,156</b>

# Seamen's Society for Children and Families

## Notes to Financial Statements

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Rental expense under these leases was \$810,340 for the year ended June 30, 2020.

### ***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, 2020, there were no material known contingent liabilities arising outside the normal course of business.

### **13. Net Assets with Donor Restrictions and Net Assets Released from Donor Restrictions**

Net assets with donor restrictions consist of the following:

#### ***June 30, 2020***

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Health services	\$	134,075
Scholarships		85,085
Infrastructure IT project		29,667
Preventive		26,363
Day care		14,872
COVID-19 relief		10,501
Foster care		102
<b>Total</b>	<b>\$</b>	<b>300,665</b>

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During the year ended June 30, 2020, the net assets released from donor restrictions were as follows:

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COVID-19 relief	\$	248,284
Infrastructure IT project		83,060
Health services		38,425
Scholarships		30,190
Preventive		12,019
<b>Total</b>	<b>\$</b>	<b>411,978</b>

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### **14. Risk and Uncertainties**

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

As a result of the COVID-19 outbreak, the Society has incurred, and is expected to incur for the foreseeable future, incremental and other COVID-19 pandemic-related expenses. COVID-19-related expenses consist of additional costs that the Society is incurring to protect its employees, contractors and customers, and to support social-distancing requirements resulting from the COVID-19 pandemic. These costs include, but are not limited to, new or added benefits provided to employees, the purchase of additional personal protection equipment and disinfecting supplies,

# Seamen's Society for Children and Families

## Notes to Financial Statements

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additional facility-cleaning services, initiated programs and communications to customers on utility response, and increased technology expenses to support remote working, where possible.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full impact that the pandemic will have on the Society's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was enacted. The CARES Act, among other things, includes provisions relating to refundable payroll tax credits and deferment of employer side social security payments.

The CARES Act also appropriated funds for the United States Small Business Administration Paycheck Protection Program (PPP) loans that are forgivable in certain situations to promote continued employment, as well as Economic Injury Disaster Loans to provide liquidity to small businesses harmed by the COVID-19 outbreak.

On May 1, 2020, the Society received \$334,400 in PPP loan funding, which was established by the CARES Act. The application of these funds requires the Society to, in good faith, certify that the current economic uncertainty made the loan request necessary to support the ongoing operations. The loan may be partially or fully forgiven if the business keeps its employee counts and employee wages stable. The Society believes the PPP loan will be fully forgiven and as such had recorded the PPP loan following the guidance of Accounting Standards Codification (ASC) 958-605, accounting for contributions. The Society expended \$297,880 of the PPP loan during fiscal year 2020 and recorded it all as revenue at June 30, 2020. As of June 30, 2020, there is a balance of \$36,520 in the deferred contract revenue amount in the statement of financial position. As mentioned in Note 2, the Society has received approximately \$418,000 from the CARES Act subsequent to year end.

The Society did not defer or delay any timely payment of payroll taxes during the quarter April 1, 2020 through June 30, 2020.

Management continues to examine the impact that the COVID-19 outbreak and CARES Act may have on its business. Management is currently unable to determine any additional impact on its financial condition, results of operation or liquidity. Although the Society cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have a material adverse effect on Society's results of future operations, financial position and liquidity in fiscal year 2021.

On December 27, 2020, President Trump signed the Consolidated Appropriations Act, 2021 (the Act), which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. The Society is currently evaluating the impact of the Act.

### 15. Subsequent Events

The Society's management has performed subsequent events procedures through January 28, 2021, which is the date the financial statements were available to be issued, and other than as noted in Note 2 and 14, there were no further subsequent events requiring adjustment to the financial statements or disclosures as stated herein.