

Seamen's Society for Children and Families

Financial Statements
Year Ended June 30, 2021

Seamen's Society for Children and Families

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Year Ended June 30, 2021

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

Opinion

We have audited the financial statements of Seamen's Society for Children and Families, which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Seamen's Society for Children and Families as of June 30, 2021, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Seamen's Society for Children and Families and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Seamen's Society for Children and Families ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our 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 our 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 GAAS 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 omissions, misrepresentations, 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement 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 Seamen's Society for Children and Families 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 our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Seamen's Society for Children and Families ability to continue as a going concern for a reasonable period of time.

We are 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 we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Seamen's Society for Children and Families' 2020 financial statements and our report, dated January 28, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

January 26, 2022

Seamen's Society for Children and Families

Statement of Financial Position (with comparative totals for 2020)

<i>June 30,</i>	2021	2020
Assets		
Current		
Cash and cash equivalents (Note 3)	\$ 100,483	\$ 82,124
Accounts receivable (Note 5)	4,594,091	4,220,530
Due from affiliate (Note 8)	3,300	9,306
Prepaid expenses and other assets	217,063	282,701
Total Current Assets	4,914,937	4,594,661
Fixed Assets, Net (Notes 3 and 6)	105,197	195,983
Total Assets	\$ 5,020,134	\$ 4,790,644
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 725,336	\$ 1,152,974
Accrued payroll and payroll taxes payable	514,654	526,672
Due to funding source (Notes 3 and 7)	1,013,024	947,007
Due to affiliate	47,500	-
Deferred contract revenue	133,499	184,555
Line of credit (Note 10)	750,000	700,000
Current portion of capital lease payable (Note 11)	41,499	41,499
Total Current Liabilities	3,225,512	3,552,707
Capital Lease Payable, less current portion (Note 11)	13,181	48,434
Small Business Administration - Economic Injury Disaster Loan (Note 14)	152,825	-
Total Liabilities	3,391,518	3,601,141
Commitments and Contingencies (Notes 2, 3, 4, 7, 8, 9, 10, 11, 12, 13,14, and 15)		
Net Assets (Note 3)		
Without donor restrictions	1,518,084	888,838
With donor restrictions (Note 13)	110,532	300,665
Total Net Assets	1,628,616	1,189,503
Total Liabilities and Net Assets	\$ 5,020,134	\$ 4,790,644

See accompanying notes to financial statements.

Seamen's Society for Children and Families

Statement of Activities (with comparative totals for 2020)

Year ended June 30,

	Without Donor Restrictions	With Donor Restrictions	Total	
			2021	2020
Program Service Revenue				
Foster Care Program	\$ 11,591,734	\$ -	\$ 11,591,734	\$ 11,238,702
Health Services	1,163,682	-	1,163,682	1,145,323
Day Care Services	540,184	-	540,184	1,980,253
Preventive Programs	5,160,799	-	5,160,799	4,389,631
Family Support and Youth Programs	917,613	-	917,613	882,653
COVID-19 Provider Relief Funds (Note 14)	417,647	-	417,647	-
Net assets released from restrictions (Note 13)	175,412	(175,412)	-	-
Total Program Service Revenue	19,967,071	(175,412)	19,791,659	19,636,562
Expenses				
Program services:				
Foster Care Program	10,270,542	-	10,270,542	10,707,926
Health Services	1,868,188	-	1,868,188	1,782,494
Day Care Services	567,458	-	567,458	1,820,313
Preventive Programs	4,275,592	-	4,275,592	4,002,664
Family Support and Youth Programs	12,460	-	12,460	85,345
Total Program Services	16,994,240	-	16,994,240	18,398,742
Supporting services:				
Management and general	2,420,802	-	2,420,802	2,658,509
Fundraising	294,418	-	294,418	259,573
Total Supporting Services	2,715,220	-	2,715,220	2,918,082
Total Expenses	19,709,460	-	19,709,460	21,316,824
Change in Net Assets, before support and non-operating revenues	257,611	(175,412)	82,199	(1,680,262)
Support and Non-Operating Revenues				
Contributions	192,404	152,791	345,195	510,880
Interest and other income	11,719	-	11,719	436,096
Net assets released from restrictions (Note 13)	167,512	(167,512)	-	-
Total Support and Non-Operating Revenues	371,635	(14,721)	356,914	946,976
Change in Net Assets	629,246	(190,133)	439,113	(733,286)
Net Assets, beginning of year	888,838	300,665	1,189,503	1,922,789
Net Assets, end of year	\$ 1,518,084	\$ 110,532	\$ 1,628,616	\$ 1,189,503

See accompanying notes to financial statements.

Seamen's Society for Children and Families

Statement of Functional Expenses (with comparative totals for 2020)

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	2021	2020
Salaries	\$ 3,843,143	\$ 1,120,772	\$ 108,832	\$ 2,917,424	\$ -	\$ 7,990,171	\$ 1,394,168	\$ 170,708	\$ 1,564,876	\$ 9,555,047	\$ 9,552,323
Employee benefits	833,840	207,480	19,880	606,126	-	1,667,326	149,951	44,851	194,802	1,862,128	1,965,281
Total Salaries and Employee Benefits	4,676,983	1,328,252	128,712	3,523,550	-	9,657,497	1,544,119	215,559	1,759,678	11,417,175	11,517,604
Other Expenses											
Pass-through payments	3,780,596	-	241,268	-	-	4,021,864	-	-	-	4,021,864	5,080,588
Staff expenses	62,736	921	-	9,291	-	72,948	65	-	65	73,013	92,642
Legal and audit fees	214,543	18,307	3,599	44,115	-	280,564	99,374	1,222	100,596	381,160	420,557
Children's activities	330,273	40	218	59,542	-	390,073	3,113	49,620	52,733	442,806	479,491
Purchase of services	137,430	88,064	3,982	63,540	6	293,022	226,732	3,318	230,050	523,072	803,692
Purchase of health services	41,638	222,537	-	734	-	264,909	3,325	-	3,325	268,234	290,837
Supplies	58,793	25,228	3,606	68,546	-	156,173	113,281	10,406	123,687	279,860	301,588
Rent	440,365	72,982	19,836	211,018	-	744,201	155,949	7,068	163,017	907,218	810,340
Utilities and other property expenses	329,412	41,179	9,761	123,334	-	503,686	82,959	2,929	85,888	589,574	584,032
Insurance	177,110	69,882	15,164	171,922	-	434,078	59,332	3,624	62,956	497,034	550,722
Administrative expenses	-	-	-	-	-	-	53,498	-	53,498	53,498	57,247
Interest expenses	-	-	-	-	-	-	19,614	-	19,614	19,614	29,836
Food	-	-	141,312	-	-	141,312	-	-	-	141,312	164,295
Stipends	3,240	-	-	-	-	3,240	-	-	-	3,240	22,900
Total Expenses, before depreciation and amortization	10,253,119	1,867,392	567,458	4,275,592	6	16,963,567	2,361,361	293,746	2,655,107	19,618,674	21,206,371
Depreciation and Amortization	17,423	796	-	-	12,454	30,673	59,441	672	60,113	90,786	110,453
Total Expenses	\$ 10,270,542	\$ 1,868,188	\$ 567,458	\$ 4,275,592	\$ 12,460	\$ 16,994,240	\$ 2,420,802	\$ 294,418	\$ 2,715,220	\$ 19,709,460	\$ 21,316,824

See accompanying notes to financial statements.

Seamen's Society for Children and Families

Statement of Cash Flows (with comparative totals for 2020)

Year ended June 30,	2021	2020
Cash Flows from Operating Activities		
Change in net assets	\$ 439,113	\$ (733,286)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	90,786	110,453
Interest expense on loan payable	2,825	-
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(373,561)	(313,784)
Due from affiliate	6,006	84,110
Prepaid expenses and other assets	65,638	(45,272)
Increase (decrease) in:		
Accounts payable and accrued expenses	(427,638)	246,629
Accrued payroll and payroll taxes payable	(12,018)	96,884
Due to funding source	66,017	(159,494)
Due to affiliate	47,500	-
Deferred contract revenue	(51,056)	118,938
Total Adjustments	(585,501)	138,464
Net Cash Used in Operating Activities	(146,388)	(594,822)
Cash Flows from Financing Activities		
Proceeds from line of credit	400,000	490,000
Repayment to line of credit	(350,000)	(300,000)
Repayment of capital lease obligations	(35,253)	(32,665)
Proceeds from loans payable	150,000	-
Net Cash Provided by Financing Activities	164,747	157,335
Net Increase (Decrease) in Cash and Cash Equivalents	18,359	(437,487)
Cash and Cash Equivalents, beginning of year	82,124	519,611
Cash and Cash Equivalents, end of year	\$ 100,483	\$ 82,124
Supplemental Disclosure of Cash Flow and Noncash Information		
Cash paid for unrelated business income taxes	\$ -	\$ 2,778
Cash paid for interest expenses	19,614	29,836

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, 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 NYC 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 overcome two years of operating losses. Management implemented a turnaround plan focused on cutting expenses, while increasing revenues. Management has reduced its overhead expenses by \$750,000 for fiscal year 2021. Management believes that it will increase the number of care days serviced in fiscal year 2022. Starting with fiscal year 2022, the Society will receive significant rate increase for several of the programs that caused the deficits in 2019 and 2020.

During the year, the Society has received \$417,647 from the U.S. Department of Health & Human Services (HHS) Provider Relief Fund (PRF) Phase II. Also the Society received additional Line of Credit, increasing its line of credit from \$750,000 to \$1,200,000 in fiscal year 2021.

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

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nature. As of June 30, 2021, 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, 2021 for Government and other grants.

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 \$5,000 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.

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Notes to Financial Statements

Asset Category	Useful Life (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, 2021, there have been no such losses.

Revenue Recognition

Government and Other Grants

Government and other grants revenues are nonexchange transactions in which no commensurate value is exchanged. Accordingly, contribution accounting is applied under Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Government and other grants contracts are evaluated for contributions that are conditional. Factors indicating the existence of a conditional contribution include the presence of a barrier that must be overcome and either a right of return of assets transferred or a right of release of a funder's obligation to transfer the assets. Government and other grant revenues are recognized when the conditions are satisfied, which is generally when the expenditures for each contract are incurred. Government and other grant funds received in excess of revenue earned are recorded as deferred revenue.

Fee-for-Service

Fee-for-service revenue is generated from foster care services, an adoption program, and a range of family support and youth programs. Fee-for-service is recorded at the amount that reflects the consideration to which the Society expects to be entitled in exchange for providing services. These amounts are due from third-party payors (including government programs and health insurers), and others, and includes an estimate for variable consideration for retroactive revenue adjustments due to rate changes, settlement of audits and disallowances, reviews, and investigations. For ASC 606, there is an implied contract between the Society and the customer upon each customer visit. Generally, the Society submits fee-for-service to third-party payors electronically through a state-wide system several days after the services are performed. The services that are reimbursed by Medicaid are established through rates established by the Medicaid Child Care Reimbursement Agency. Other services provided by the ACS provides specific guidance to Foster Care provider agencies regarding billable units and the service documentation required in order for the agency to bill for services provided.

Revenue is recognized as performance obligations are satisfied over time based on actual charges incurred in relation to total expected (or actual) charges. The Society measures revenue from the commencement of services, to the continuation of services, and until services are no longer required. The Society believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

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Notes to Financial Statements

As substantially all of its performance obligations relate to established rate agreements with a duration of less than one year, the Society has elected, as part of their adoption of the revenue standard, to apply the optional exemption provided in Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Throughout the year, rates may vary as determined by City of New York and New York State, and the Society will record additional revenue resulting from a rate increase and record a reduction of revenue with a rate decrease. These rate adjustments represent variable consideration in the form of explicit or implicit price concessions and the Society considers these amounts in determination of the transaction price. The Society determines its estimates of explicit or implicit price concessions and contractual adjustments based on its historical collection experience.

Laws and regulations governing Medicaid programs are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties, and exclusion from Medicaid programs. The Society is not aware of any allegations of noncompliance that could have a material adverse effect on the financial statements and believes that it is in compliance with all applicable laws and regulations.

As a practical expedient, the Society utilizes the portfolio approach for analyzing the revenue contracts in accordance with Topic 606. The Society accounts for the contracts within each portfolio collectively, rather than individually, based on each revenue stream. The Society considers the similar nature and characteristics of the contract and customers in using the portfolio approach. The Society believes that the use of the portfolio approach to analyze contracts will not differ materially than if the contracts were analyzed individually.

Year ended June 30, 2021

Government program services and Medicaid revenue (reciprocal transactions)	\$ 19,374,012
Total Revenue Subject to ASC 606	19,374,012
COVID-19 Provider Relief Funds (non-reciprocal transactions)	417,647
Contributions	345,195
Interest and other income	11,719
Total Revenue Not Subject to ASC 606	774,561
Total Revenue	\$ 20,148,573

The following table shows the Society's government program services and Medicaid revenue (reciprocal transactions) disaggregated by payor:

Year ended June 30, 2021

City of New York Administration for Children's Services	\$ 15,894,408
New York State Department of Health	2,081,295
City of New York Department of Education	540,184
Human Resources Administration	858,125
Total	\$ 19,374,012

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The following table shows the Society's government program services and Medicaid revenue (reciprocal transactions) disaggregated by service line:

Year ended June 30, 2021

Foster Care	\$	15,041,707
Medicaid		852,701
Total	\$	15,894,408

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 gain from operations of the Society includes all revenue without donor restrictions, expenses, 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 non-operating 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

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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 taxing authority. As of June 30, 2021, 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, 2020, 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

Revenue from Contracts with Customers (Topic 606)

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, *Revenue from Contracts with Customers*, as amended. The core principle of ASU 2014-09 is built on the contract between a vendor and a customer for the provision of goods and services and attempts to depict the exchange of rights and obligations between the parties in the pattern of revenue recognition based on the consideration to which the vendor is entitled. To accomplish this objective, the standard requires five basic steps: (i) identify the contract with the customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The provisions of ASU 2014-09 were adopted by the Society beginning July 1, 2020 and elected the modified retrospective approach in adopting

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Notes to Financial Statements

ASU 2014-09 to all contracts under the scope of the guidance. The adoption of this ASU did not have a material impact on the financial statements.

Accounting Pronouncements Issued but Not Yet Adopted

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.

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, 2021

Cash and cash equivalents	\$	100,483
Accounts receivable		4,594,091
Due from affiliate		3,300
Total Financial Assets Available Within One Year		4,697,874
Less: amounts unavailable to management for general expenditures:		
Donor-imposed program restrictions		(110,532)
Total Financial Assets Available to Management for General Expenditures Within One Year	\$	4,587,342

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.

5. Accounts Receivable

The accounts receivable balance consists of the following:

June 30, 2021

Foster Care Program	\$	2,802,289
Day Care Services		4,431
Health Services		202,365
Preventive Programs		1,339,688
Family Support and Youth Programs		1,281
Other		244,037
Total	\$	4,594,091

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6. Fixed Assets, Net

Fixed assets, net, consist of the following:

June 30, 2021

Leasehold improvements	\$	927,237
Furniture, fixtures, and equipment		520,534
Vehicles		45,000
		1,492,771
Less: accumulated depreciation and amortization		(1,387,574)
Fixed Assets, Net	\$	105,197

Depreciation and amortization expense was \$90,786 for the year ended June 30, 2021.

7. Due to Funding Source

Due to funding source consists of the following:

June 30, 2021

Overpayments to be recouped from future periods' payments by ACS	\$	427,946
Fair hearings overpayment by ACS		411,954
Due to ACS Foster Care Program		173,124
	\$	1,013,024

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.

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, 2021. At June 30, 2021, the balance on due to affiliate was \$47,500.

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, 2021.

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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, 2021, the outstanding balance for both bonds was \$3,366,000.

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. During the year ended June 30, 2021, there were no contributions to employee accounts.

10. Line of Credit

On April 30, 2021, the Society has a renewed line-of-credit agreement with an available limit of \$1,200,000 with BankUnited, N.A. 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 2.39% as June 30, 2021. At June 30, 2021, the balance on the line of credit was \$750,000. The provisions of the financing with the lender require the Society to establish and maintain certain financial covenants. At June 30, 2021, the Society was in compliance with its financial covenant. The line of credit expires on May 1, 2022.

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.

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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, 2021:

Year ending June 30,

2022	\$	41,499
2023		15,080
Total Minimum Lease Payments		56,579
Less: amount representing interest		(1,899)
Present Value of Net Minimum Lease Payments		54,680
Less: current portion		(41,499)
Long-Term	\$	13,181

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:

Year ending June 30,

2022	\$	712,557
2023		579,617
2024		571,603
2025		570,000
2026		570,000
Thereafter		5,367,500
	\$	8,371,277

Rental expense under these leases was \$862,685 for the year ended June 30, 2021.

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, 2021, there were no material known contingent liabilities arising outside the normal course of business.

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

Net assets with donor restrictions consist of the following:

June 30, 2021

Scholarships	\$	66,820
Robert and Barbara Fitzsimmons Children and Family Fund at Seamen's Society		21,306
Northfield Bank Foundation		15,120
Kinship		7,286
Total	\$	110,532

During the year ended June 30, 2021, the net assets released from donor restrictions were as follows:

Health services	\$	134,075
Scholarships		75,250
COVID-19 relief		42,796
Infrastructure IT project		29,667
Preventive		26,363
Day care		14,872
Robert and Barbara Fitzsimmons Children and Family Fund at Seamen's Society		7,540
Kinship		7,379
Northfield Bank Foundation		4,880
Foster care housing		102
Total	\$	342,924

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 (the COVID-19 outbreak) and the risks to the international community as the virus spread 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, 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.

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On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (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 believed the PPP loan will be fully forgiven and as such had recorded the PPP loan following the guidance of 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. The remaining balance of \$36,520 was expended during fiscal year 2021. On August 31, 2021, the full amount of PPP loan was forgiven.

The CARES Act also appropriated \$178 billion for the HHS PRF to be distributed to hospitals and healthcare providers for lost revenues and incremental increases in expenses as a result of the COVID-19 outbreak. As of the date of this report, the Society has applied for and received \$417,647 from HHS for the PRF, as also mentioned in Note 2. This amount has been reported in COVID-19 Provider Relief Funds on the accompanying statements of activities. The PRF are subjected to post payment reporting requirements. The recognition of amounts received is conditioned upon the provision of care for individuals with possible or actual cases of COVID-19, and certification that payment will be used to prevent, prepare for, and respond to the coronavirus and shall reimburse the recipient only for healthcare related expenses or lost revenues that are attributable to the coronavirus. These monies have been recognized following the grant accounting model, recognizing income over the applicable reporting period as management becomes reasonably assured of meeting the required criteria. The Society applied the full amount of the PRF received in August and October 2020 to incremental expenses and lost revenues.

On October 20, 2020, the Society received \$150,000 in an Economic Injury Disaster Loan, which was established by the CARES Act. The loan requires monthly payments of \$641 in principal and interest, at a rate of 2.75% per annum. Monthly installments will commence 12 months from the date of the loan for 30 years. As of June 30, 2021, the balance of the loan is \$152,825 including interest payable.

In December 2020, the U.S. Congress enacted the Consolidated Appropriations Act, 2021, which includes \$900 billion in stimulus relief as a result of the COVID-19 pandemic. The Society is currently evaluating the impact of the Consolidated Appropriations Act.

On March 10, 2021, Congress signed the \$1.9 trillion American Rescue Plan Act into law. The Society is currently evaluating the impact of the American Rescue Plan Act.

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

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a material adverse effect on Society's results of future operations, financial position and liquidity in fiscal year 2022.

15. Subsequent Events

The Society's management has performed subsequent events procedures through January 26, 2022, which is the date the financial statements were available to be issued, and other than as noted in Note 14, there were no further subsequent events requiring adjustment to the financial statements or disclosures as stated herein.