

Seamen's Society for Children and Families

Financial Statements
Year Ended June 30, 2022

Seamen's Society for Children and Families

Financial Statements
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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, 2022, 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, 2022, 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 (U.S. 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 U.S. 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 U.S. 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' 2021 financial statements and our report, dated January 26, 2022, 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, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP
December 23, 2022

Seamen's Society for Children and Families

Statement of Financial Position (with comparative totals for 2021)

<i>June 30,</i>	2022	2021
Assets		
Current		
Cash and cash equivalents (Note 2)	\$ 50,298	\$ 100,483
Accounts receivable (Note 4)	6,531,484	4,594,091
Due from affiliate	-	3,300
Prepaid expenses and other assets	376,473	217,063
Total Current Assets	6,958,255	4,914,937
Fixed Assets, Net (Notes 2 and 5)	57,155	105,197
Total Assets	\$ 7,015,410	\$ 5,020,134
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued expenses	\$ 901,468	\$ 725,336
Accrued payroll and payroll taxes payable	777,804	514,654
Due to funding source (Notes 2 and 6)	1,783,692	1,013,024
Due to affiliate (Note 7)	15,001	47,500
Deferred contract revenue	135,967	133,499
Line of credit (Note 9)	700,000	750,000
Current portion of capital lease payable (Note 10)	22,365	41,499
Total Current Liabilities	4,336,297	3,225,512
Capital Lease Payable, less current portion (Note 10)	-	13,181
Small Business Administration - Economic Injury Disaster Loan (Note 9)	509,572	152,825
Total Liabilities	4,845,869	3,391,518
Commitments and Contingencies (Notes 2, 3, 6, 7, 8, 9, 10, 11, and 12)		
Net Assets (Note 2)		
Without donor restrictions	1,944,939	1,518,084
With donor restrictions (Note 12)	224,602	110,532
Total Net Assets	2,169,541	1,628,616
Total Liabilities and Net Assets	\$ 7,015,410	\$ 5,020,134

See accompanying notes to financial statements.

Seamen's Society for Children and Families

Statement of Activities (with comparative totals for 2021)

Year ended June 30,

	Without Donor Restrictions	With Donor Restrictions	Total	
			2022	2021
Program Service Revenue				
Foster Care Program	\$ 13,192,508	\$ -	\$ 13,192,508	\$ 11,591,734
Health Services	3,062,337	-	3,062,337	2,081,295
Day Care Services	210,537	-	210,537	540,184
Preventive Programs	5,196,507	-	5,196,507	5,160,799
COVID-19 provider relief funds	-	-	-	417,647
Total Program Service Revenue	21,661,889	-	21,661,889	19,791,659
Expenses				
Program services:				
Foster Care Program	11,128,770	-	11,128,770	10,270,542
Health Services	2,385,142	-	2,385,142	1,880,648
Day Care Services	185,411	-	185,411	567,458
Preventive Programs	4,515,360	-	4,515,360	4,275,592
Total Program Services	18,214,683	-	18,214,683	16,994,240
Supporting services:				
Management and general	2,468,476	-	2,468,476	2,420,802
Fundraising	468,111	-	468,111	294,418
Total Supporting Services	2,936,587	-	2,936,587	2,715,220
Total Expenses	21,151,270	-	21,151,270	19,709,460
Change in Net Assets, before support and non-operating revenues (expenses)	510,619	-	510,619	82,199
Support and Non-Operating Revenues (Expenses)				
Contributions	213,105	327,403	540,508	345,195
Interest and other income	240,357	-	240,357	181,991
Prior-period expenses	(750,559)	-	(750,559)	(170,272)
Net assets released from restrictions (Note 12)	213,333	(213,333)	-	-
Total Support and Non-Operating Revenues (Expenses)	(83,764)	114,070	30,306	356,914
Change in Net Assets	426,855	114,070	540,925	439,113
Net Assets, beginning of year	1,518,084	110,532	1,628,616	1,189,503
Net Assets, end of year	\$ 1,944,939	\$ 224,602	\$ 2,169,541	\$ 1,628,616

See accompanying notes to financial statements.

Seamen's Society for Children and Families

Statement of Functional Expenses (with comparative totals for 2021)

Year ended June 30,

	Program Services					Supporting Services			Total	
	Foster Care Program	Health Services	Day Care Services	Preventive Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	2022	2021
Salaries	\$ 4,018,254	\$ 1,549,759	\$ 22,112	\$ 2,984,560	\$ 8,574,685	\$ 1,404,401	\$ 217,144	\$ 1,621,545	\$ 10,196,230	\$ 9,555,047
Employee benefits	716,054	309,971	5,820	639,210	1,671,055	403,566	42,921	446,487	2,117,542	1,862,128
Total Salaries and Employee Benefits	4,734,308	1,859,730	27,932	3,623,770	10,245,740	1,807,967	260,065	2,068,032	12,313,772	11,417,175
Other Expenses										
Pass-through payments	4,159,186	-	-	-	4,159,186	-	-	-	4,159,186	4,021,864
Staff expenses	91,575	2,195	-	26,370	120,140	4,116	274	4,390	124,530	73,013
Legal and audit fees	231,696	23,898	311	48,138	304,043	80,480	796	81,276	385,319	381,160
Children's activities	533,462	4,790	92	213,006	751,350	8,969	123,412	132,381	883,731	442,806
Purchase of services	204,182	130,330	2,902	31,397	368,811	112,133	68,220	180,353	549,164	523,072
Purchase of health services	672	77,431	-	3,730	81,833	2,760	-	2,760	84,593	268,234
Supplies	83,948	28,384	2,069	21,430	135,831	82,715	6,748	89,463	225,294	279,860
Rent	498,309	110,544	1,221	225,643	835,717	71,448	2,905	74,353	910,070	907,218
Utilities and other property expenses	322,702	52,864	3,485	130,554	509,605	104,372	1,909	106,281	615,886	589,574
Insurance	264,975	94,976	1,235	191,322	552,508	64,821	3,166	67,987	620,495	497,034
Administrative expenses	-	-	-	-	-	50,417	-	50,417	50,417	53,498
Interest expenses	-	-	-	-	-	30,852	-	30,852	30,852	19,614
Food	-	-	146,164	-	146,164	-	-	-	146,164	141,312
Stipends	3,755	-	-	-	3,755	-	-	-	3,755	3,240
Total Expenses, before depreciation and amortization	11,128,770	2,385,142	185,411	4,515,360	18,214,683	2,421,050	467,495	2,888,545	21,103,228	19,618,674
Depreciation and Amortization	-	-	-	-	-	47,426	616	48,042	48,042	90,786
Total Expenses	\$ 11,128,770	\$ 2,385,142	\$ 185,411	\$ 4,515,360	\$ 18,214,683	\$ 2,468,476	\$ 468,111	\$ 2,936,587	\$ 21,151,270	\$ 19,709,460

See accompanying notes to financial statements.

Seamen's Society for Children and Families

Statement of Cash Flows (with comparative totals for 2021)

<i>Year ended June 30,</i>	2022	2021
Cash Flows from Operating Activities		
Change in net assets	\$ 540,925	\$ 439,113
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization expense	48,042	90,786
Interest expense on loan payable	9,572	2,825
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	(1,937,393)	(373,561)
Due to affiliate	3,300	6,006
Prepaid expenses and other assets	(159,410)	65,638
Increase (decrease) in:		
Accounts payable and accrued expenses	163,735	(427,638)
Accrued payroll and payroll taxes payable	263,150	(12,018)
Due from funding source	770,668	66,017
Due from (to) affiliate	(32,499)	47,500
Deferred contract revenue	2,468	(51,056)
Total Adjustments	(868,367)	(585,501)
Net Cash Used in Operating Activities	(327,442)	(146,388)
Cash Flows from Financing Activities		
Proceeds from line of credit	700,000	400,000
Repayment to line of credit	(750,000)	(350,000)
Repayment of capital lease obligations	(32,315)	(35,253)
Proceeds from loans payable	359,572	150,000
Net Cash Provided by Financing Activities	277,257	164,747
Net Increase (Decrease) in Cash and Cash Equivalents	(50,185)	18,359
Cash and Cash Equivalents, beginning of year	100,483	82,124
Cash and Cash Equivalents, end of year	\$ 50,298	\$ 100,483
Supplemental Disclosure of Cash Flow and Non-Cash Information		
Cash paid for interest expenses	\$ 30,852	\$ 19,614

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. 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 otherwise removed by actions of the Society are classified as net assets with donor restrictions - perpetual in nature. As of June 30, 2022, 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 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, 2022 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.

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

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future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2022, 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 include 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 a 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 provide 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.

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 its 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 the 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

Seamen's Society for Children and Families

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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, 2022

Government program services and Medicaid revenue (reciprocal transactions)	\$ 21,661,889
Total Revenue Subject to ASC 606	21,661,889
Contributions	213,105
Interest and other income	240,357
Total Revenue Not Subject to ASC 606	453,462
Total Revenue	\$ 22,115,351

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

Year ended June 30, 2022

City of New York Administration for Children's Services	\$ 17,509,813
New York State Department of Health	3,062,337
Child and Adult Care Food Program	172,990
Human Resources Administration	916,749
Total	\$ 21,661,889

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

Year ended June 30, 2022

Foster Care	\$ 13,192,508
Preventive	4,317,305
Total	\$ 17,509,813

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Notes to Financial Statements

On May 1, 2020, the Society received \$334,400 in Paycheck Protection Program (PPP) loan funding, which was established by the Coronavirus Aid, Relief, and Economic Security Act (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 would 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 the PPP loan was forgiven.

The CARES Act also appropriated \$178 billion for the Department of Health and Human Services (HHS) Provider Relief Fund (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 June 30, 2020, the Society has applied for and received \$417,647 from HHS for the PRF. This amount has been reported in COVID-19 provider relief funds on the accompanying statement of activities. The PRF is 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 COVID-19 and shall reimburse the recipient only for healthcare-related expenses or lost revenues that are attributable to COVID-19. 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.

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 (expense). 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

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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 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 taxing authority. As of June 30, 2022, 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, 2021, 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.

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Notes to Financial Statements

Accounting Pronouncement Recently Adopted

Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets

In September 2020, the Financial Accounting Standards Board (FASB) issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU is intended to increase transparency on how contributed nonfinancial assets (also referred to as gifts-in-kind) received by nonprofits are to be used and how they are valued. The provisions of ASU 2020-07 were adopted by the Society beginning July 1, 2021. Effective July 1, 2021, the Society elected the retrospective approach in adopting ASU 2020-07 to all contributed nonfinancial assets under the scope of the guidance. The adoption of this ASU did not have a material impact on the financial statements.

Accounting Pronouncement 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.

Financial Instruments - Credit Losses (Topic 326)

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended. The new credit losses standard changes the impairment model for most financial assets and certain other instruments. For trade and other receivables, contract assets recognized as a result of applying ASC 606, loans, and certain other instruments, entities will be required to use a new forward-looking "expected-loss" model that generally will result in earlier recognition of credit losses than under today's incurred loss model. ASU 2016-13 is effective for annual periods beginning after December 31, 2021. The Society is currently evaluating the impact of the adoption of ASU 2016-13.

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Seamen's Society for Children and Families

Notes to 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, 2022

Cash and cash equivalents	\$	50,298
Accounts receivable		6,531,484
Total Financial Assets Available Within One Year		6,581,782
Less amounts unavailable to management for general expenditures:		
Donor-imposed program restrictions		(224,602)
Total Financial Assets Available to Management for General Expenditures Within One Year	\$	6,357,180

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.

4. Accounts Receivable

The accounts receivable balance consists of the following:

June 30, 2022

Foster Care Program	\$	3,349,794
Health Services		581,492
Preventive Programs		2,234,249
Other		365,949
Total	\$	6,531,484

5. Fixed Assets, Net

Fixed assets, net, consist of the following:

June 30, 2022

Leasehold improvements	\$	927,237
Furniture, fixtures, and equipment		520,534
Vehicles		45,000
		1,492,771
Less: accumulated depreciation and amortization		(1,435,616)
Fixed Assets, Net	\$	57,155

Depreciation and amortization expense was \$32,695 for the year ended June 30, 2022.

Seamen’s Society for Children and Families

Notes to Financial Statements

6. Due to Funding Source

Due to funding source consists of the following:

June 30, 2022

Overpayments to be recouped from future periods’ payments by ACS	\$	427,946
Fair hearings overpayment by ACS		583,622
Due to ACS Foster Care Program		772,124
	\$	1,783,692

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, 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, 2022. At June 30, 2022, the balance on due to affiliate was \$15,001.

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, 2022.

Guarantee

On September 27, 2017, Friends refinanced the International Development Association (IDA) issued Civic Facility Revenue Series 2004 bonds through Bridge Funding Group, Inc.: the Build NYC Resource Corporation Series A tax-exempt bond for the amount of \$3,988,000, which matures on September 1, 2032, and the BankUnited, N.A. Build NYC Resource Corporation Series B taxable bond in the amount of \$310,000, which matured on September 1, 2022. Additionally, in order to further secure the bonds, the Society has guaranteed these debts of Friends in the total amount of \$3,088,000 at June 30, 2022. Should Friends default on its term loan debt payments, the Society is responsible for the payment. On an ongoing basis, the Society reviews its debt guarantees. The amounts drawn from Friends are not on the financial statements of the Society. The Society has determined under U.S. GAAP that the debts are to be reflected on the books of Friends. As a result, no liability was included in the accompanying statements of financial position related to the Society’s obligations under this guarantee as management estimated Friends has the ability to pay

Seamen's Society for Children and Families

Notes to Financial Statements

its debts. In management's opinion, the underlying assets of Friends are sufficient to satisfy the debts.

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. During the year ended June 30, 2022, the resulting expense was \$165,000.

9. Debt

Line of Credit

On April 29, 2022, 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 3.92% as of June 30, 2022. At June 30, 2022, 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, 2022, the Society was in compliance with its financial covenant. The line of credit expires on May 1, 2024.

Loans Payable

On April 29, 2022, the Society received an additional \$350,000 from an Economic Injury Disaster Loan, which was established by the CARES Act administered by the U.S. Small Business Administration (SBA). The interest is payable monthly starting in April 2023, and the principal amount is payable towards the end of its 30-year term, ending October 2050. The interest rate is at 2.75% per annum. As of June 30, 2022, the balance of the loan is \$509,572, including interest payable.

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 of principal and interest, at a rate of 1% per annum.

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 of principal and interest, at a rate of 1% per annum.

Seamen's Society for Children and Families

Notes to Financial Statements

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, 2022:

Year ending June 30,

2023	\$	23,006
Less: amount representing interest		(641)
Present Value of Net Minimum Lease Payments	\$	22,365

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 as follows:

Year ending June 30,

2023	\$	660,000
2024		662,500
2025		668,500
2026		674,500
2027		633,000
Thereafter		5,130,000
	\$	8,428,500

Rental expense under these leases was \$910,070 for the year ended June 30, 2022.

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, 2022, 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, 2022

Scholarships	\$	34,253
Robert and Barbara Fitzsimmons Children and Family Fund at Seamen's Society		38,249
Staten Island Foundation		152,100
Total	\$	224,602

Seamen's Society for Children and Families

Notes to Financial Statements

During the year ended June 30, 2022, the net assets released from donor restrictions were as follows:

Scholarships	\$	32,567
Robert and Barbara Fitzsimmons Children and Family Fund at Seamen's Society		93,207
Kinship		69,973
Northfield Bank Foundation		17,586
Total	\$	213,333

13. Subsequent Events

The Society's management has performed subsequent events procedures through December 23, 2022, which is the date the financial statements were available to be issued, and there were no further subsequent events requiring adjustment to the financial statements or disclosures as stated herein.