Seamen's Society for Children and Families

Financial Statements
Year Ended June 30, 2023

Seamen’s Society for Children and Families

Financial Statements
Year Ended June 30, 2023

Seamen's Society for Children and Families

Contents

Tel: 212-885-8000
Fax: 212-697-1299
www.bdo.com

BDO
200 Park Avenue
New York, NY 10166
USA

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, 2023, and the related statement 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, 2023, 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.

Emphasis of a Matter for Leases

As discussed in Note 10 to the financial statements, the Society has elected to change its method of accounting for leases in the year ended June 30, 2023 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 842, *Leases*. Our opinion is not modified with respect to this matter.

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' June 30, 2022 financial statements, and our report dated December 23, 2022 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, P.C.

December 28, 2023

Seamen's Society for Children and Families

Statement of Financial Position
(with comparative totals for 2022)

June 30,		2023		2022
Assets				
Current				
Cash and cash equivalents (Note 2)	**$**	**7,528**	$	50,298
Accounts receivable (Note 4)		**6,621,355**		6,531,484
Prepaid expenses and other assets		**474,162**		376,473
Total Current Assets		**7,103,045**		6,958,255
Fixed Assets, Net (Notes 2 and 5)		**1,027,032**		57,155
Right-of-Use Assets (Note 10)		**7,622,277**		-
Total Assets	**$**	**15,752,354**	$	7,015,410
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	**$**	**1,208,086**	$	923,833
Accrued payroll and payroll taxes payable		**1,334,289**		777,804
Due to funding source (Notes 2 and 6)		**1,778,386**		1,783,692
Due to affiliate (Note 7)		**196,249**		15,001
Deferred contract revenue		**207,291**		135,967
Line of credit (Note 9)		**625,000**		700,000
Operating leases, current portion (Note 10)		**706,276**		-
Total Current Liabilities		**6,055,577**		4,336,297
Operating Leases, net of current portion (Note 10)		**6,937,172**		-
Small Business Administration - Economic Injury Disaster Loan (Note 9)		**516,775**		509,572
Total Liabilities		**13,509,524**		4,845,869
Commitments and Contingencies (Notes 2, 3, 6, 7, 8, 9, 10, 11, and 12)				
Net Assets (Note 2)				
Without donor restrictions		**2,041,622**		1,944,939
With donor restrictions (Note 12)		**201,208**		224,602
Total Net Assets		**2,242,830**		2,169,541
Total Liabilities and Net Assets	**$**	**15,752,354**	$	7,015,410

See accompanying notes to financial statements.

Seamen's Society for Children and Families

Statement of Activities
(with comparative totals for 2022)

Year ended June 30,

	Without Donor Restrictions	With Donor Restrictions	Total 2023	Total 2022
Program Service Revenue				
Foster Care Program	$ 17,236,344	$ -	**$ 17,236,344**	$ 13,192,508
Health Services	2,882,474	-	**2,882,474**	3,062,337
Day Care Services	354,986	-	**354,986**	210,537
Preventive Programs	5,016,244	-	**5,016,244**	5,196,507
Total Program Service Revenue	25,490,048	-	**25,490,048**	21,661,889
Expenses				
Program services:				
Foster Care Program	16,836,381	-	**16,836,381**	11,128,770
Health Services	2,730,426	-	**2,730,426**	2,385,142
Day Care Services	351,769	-	**351,769**	185,411
Preventive Programs	4,427,396	-	**4,427,396**	4,515,360
Total Program Services	24,345,972	-	**24,345,972**	18,214,683
Supporting services:				
Management and general	2,035,387	-	**2,035,387**	2,468,476
Fundraising	256,394	-	**256,394**	468,111
Total Supporting Services	2,291,781	-	**2,291,781**	2,936,587
Total Expenses	26,637,753	-	**26,637,753**	21,151,270
Change in Net Assets, before support and non-operating revenues (expenses)	(1,147,705)	-	**(1,147,705)**	510,619
Support and Non-Operating Revenues (Expenses)				
Contributions	413,560	184,191	**597,751**	540,508
Interest and other income	592,013	-	**592,013**	240,357
Prior-period income (expenses)	31,230	-	**31,230**	(750,559)
Net assets released from restrictions (Note 12)	207,585	(207,585)	**-**	-
Total Support and Non-Operating Revenues (Expenses)	1,244,388	(23,394)	**1,220,994**	30,306
Change in Net Assets	96,683	(23,394)	**73,289**	540,925
Net Assets, beginning of year	1,944,939	224,602	**2,169,541**	1,628,616
Net Assets, end of year	$ 2,041,622	$ 201,208	**$ 2,242,830**	$ 2,169,541

See accompanying notes to financial statements.

Seamen's Society for Children and Families

Statement of Functional Expenses
(with comparative totals for 2022)

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	**2023**	2022
Salaries	$ 6,502,265	$ 1,706,345	$ 91,484	$ 2,997,188	$ 11,297,282	$ 1,085,588	$ 118,070	$ 1,203,658	**$ 12,500,940**	$ 10,196,230
Employee benefits	1,243,343	402,503	16,265	697,983	2,360,094	235,692	18,546	254,238	**2,614,332**	2,117,542
Total Salaries and Employee Benefits	7,745,608	2,108,848	107,749	3,695,171	13,657,376	1,321,280	136,616	1,457,896	**15,115,272**	12,313,772
Other Expenses										
Pass-through payments	6,703,496	-	-	-	6,703,496	-	-	-	**6,703,496**	4,159,186
Staff expenses	108,757	2,221	740	8,283	120,001	4,067	125	4,192	**124,193**	124,530
Legal and audit fees	263,983	36,561	476	73,635	374,655	109,203	1,218	110,421	**485,076**	385,319
Children's activities	539,518	6,537	105	45,244	591,404	17,259	76,703	93,962	**685,366**	883,731
Purchase of services	112,798	143,624	3,929	42,938	303,289	94,375	25,962	120,337	**423,626**	549,164
Purchase of health services	8,134	112,087	-	8,097	128,318	1,697	-	1,697	**130,015**	84,593
Supplies	112,621	35,110	191	50,128	198,050	32,056	7,873	39,929	**237,979**	225,294
Rent	521,770	112,689	68,640	175,332	878,431	86,803	2,907	89,710	**968,141**	910,070
Utilities and other property expenses	415,560	67,891	37,570	117,350	638,371	130,379	1,495	131,874	**770,245**	615,886
Insurance	292,531	104,858	1,365	211,218	609,972	119,375	3,495	122,870	**732,842**	620,495
Administrative expenses	-	-	-	-	-	45,559	-	45,559	**45,559**	50,417
Interest expenses	-	-	-	-	-	45,317	-	45,317	**45,317**	30,852
Food	-	-	131,004	-	131,004	-	-	-	**131,004**	146,164
Stipends	11,605	-	-	-	11,605	-	-	-	**11,605**	3,755
Total Expenses, before depreciation and amortization	16,836,381	2,730,426	351,769	4,427,396	24,345,972	2,007,370	256,394	2,263,764	**26,609,736**	21,103,228
Depreciation and Amortization	-	-	-	-	-	28,017	-	28,017	**28,017**	48,042
Total Expenses	$ 16,836,381	$ 2,730,426	$ 351,769	$ 4,427,396	$ 24,345,972	$ 2,035,387	$ 256,394	$ 2,291,781	**$ 26,637,753**	$ 21,151,270

See accompanying notes to financial statements.

Seamen's Society for Children and Families

Statement of Cash Flows
(with comparative totals for 2022)

Year ended June 30,	**2023**	2022
Cash Flows from Operating Activities		
Change in net assets	**$ 73,289**	$ 540,925
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	**28,017**	48,042
Changes in assets and liabilities:		
Decrease (increase) in:		
Accounts receivable	**(89,871)**	(1,937,393)
Due to affiliate	**-**	3,300
Prepaid expenses and other assets	**(97,689)**	(159,410)
Non-cash lease expenses	**940,921**	-
Increase (decrease) in:		
Accounts payable and accrued expenses	**313,227**	173,307
Accrued payroll and payroll taxes payable	**556,485**	263,150
Due from funding source	**(5,306)**	770,668
Due from (to) affiliate	**181,248**	(32,499)
Deferred contract revenue	**71,324**	2,468
Principal reduction in operating lease liabilities	**(919,750)**	-
Total Adjustments	**978,606**	(868,367)
Net Cash Provided by (Used in) Operating Activities	**1,051,895**	(327,442)
Cash Flows from Investing Activities		
Purchase of fixed assets	**(997,894)**	-
Net Cash (Used in) in Investing Activities	**(997,894)**	-
Cash Flows from Financing Activities		
Proceeds from line of credit	**-**	700,000
Proceeds from loans payable	**625,000**	359,572
Repayment to line of credit	**(700,000)**	(750,000)
Repayment of capital lease obligations	**(21,771)**	(32,315)
Net Cash (Used in) Provided by Financing Activities	**(96,771)**	277,257
Net Increase (Decrease) in Cash and Cash Equivalents	**(42,770)**	(50,185)
Cash and Cash Equivalents, beginning of year	**50,298**	100,483
Cash and Cash Equivalents, end of year	**$ 7,528**	$ 50,298
Supplemental Disclosure of Cash Flow and Non-Cash Information		
Cash paid for interest expenses	**$ 45,317**	$ 30,852
Right-of-use assets acquired through operating leases	**8,320,159**	-

See accompanying 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, 2023, 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, 2023, 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 future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2023, 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 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, 2023		
Government program services and Medicaid revenue (reciprocal transactions)	$	25,490,048
Total Revenue Subject to ASC 606		25,490,048
Contributions		597,751
Interest and other income		592,013
Prior period income		31,230
Total Revenue Not Subject to ASC 606		1,220,994
Total Revenue	$	26,711,042

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

Year ended June 30, 2023		
City of New York Administration for Children's Services	$	21,567,720
New York State Department of Health		2,882,474
Child and Adult Care Food Program		354,986
Human Resources Administration		684,868
Total	$	25,490,048

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

Year ended June 30, 2023		
Foster Care	$	17,236,344
Preventive		4,331,376
Total	$	21,567,720

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 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, 2023, 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, 2022, from which the summarized information was derived.

Reclassifications

Certain fiscal year 2022 amounts have been reclassified to conform to the fiscal year 2023 presentation.

Accounting Pronouncement Recently Adopted

Leases (Topic 842)

In February 2016, the Financial Accounting Standards Board (FASB) issued ASU 2016-02, *Accounting for Leases*. Subsequently, FASB released ASU 2020-05, which deferred the effective date to periods after December 31, 2021. The provisions of ASU 2016-02, as amended, were adopted by the Society beginning July 1, 2022, following the modified retrospective method of application. See Note 10 for additional information on leases.

Accounting Pronouncement Issued but Not Yet Adopted

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.

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, 2023		
Cash and cash equivalents	$	7,528
Accounts receivable		6,621,355
Total Financial Assets Available Within One Year		6,628,883
Less amounts unavailable to management for general expenditures:		
Donor-imposed program restrictions		(201,208)
Total Financial Assets Available to Management for General Expenditures Within One Year	$	6,427,675

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, 2023		
Foster Care Program	$	3,154,462
Health Services		409,416
Preventive Programs		2,670,571
Other		386,906
Total	$	6,621,355

5. Fixed Assets, Net

Fixed assets, net, consist of the following:

June 30, 2023		
Leasehold improvements	$	1,570,043
Furniture, fixtures, and equipment		505,226
Vehicles		45,000
		2,120,269
Less: accumulated depreciation and amortization		(1,453,937)
Add: construction in progress		360,700
Fixed Assets, Net	$	1,027,032

Depreciation and amortization expense was $28,017 for the year ended June 30, 2023. At June 30, 2023, there are approximately $150,000 of additional payments related to the completion of the construction in progress.

6. Due to Funding Source

Due to funding source consists of the following:

June 30, 2023		
Overpayments to be recouped from future periods' payments by ACS	$	427,946
Fair hearings overpayment by ACS		578,523
Due to ACS Foster Care Program		771,917
	$	1,778,386

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, 2023. At June 30, 2023, the balance on due to affiliate was $196,249.

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, 2023.

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 $2,816,302 at June 30, 2023. 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 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, 2023, the resulting expense was $44,241.

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, 2023. At June 30, 2023, the balance on the line of credit was $625,000. The provisions of the financing with the lender require the Society to establish and maintain certain financial covenants. At June 30, 2023, the Society was not in compliance with its financial covenant. On December 21, 2023, the lender has provided a waiver to the Society for the covenant violation. 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, 2023, the balance of the loan is $509,572, including interest payable.

10. Leases

The Society has adopted the provisions of ASC 842, *Leases*. For leases with initial terms of greater than one year (or initially, greater than one year remaining under the lease at the date of the adoption of ASC 842), the Society records the related ROU assets and liabilities at the present value of the remaining lease payments to be paid over the life of the related lease. Lease payments related to periods subject to renewal options are excluded from the amounts used to determine the present value of the remaining lease payments unless the Society is reasonably certain to exercise the option to extend the lease. The Society leases offices under operating leases in New York City through November 2036. These leases are deemed to be operating lease based on the underlying terms of the agreement and the criteria included in ASC 842. The present value of the lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which a discount rate is not readily available, the Society has elected to use the incremental borrowing rate based on the information available at the lease inception date. The Society has made an accounting policy election not to separate lease components from non-lease components in contracts when determining its lease payments for all of its asset classes, as permitted by ASC 842. As such, the Society accounts for the applicable non-lease components together with the related lease components when determining the ROU assets and liabilities. The Society has made an accounting policy election not to record leases with an initial term of less than one year as ROU assets and liabilities in the statements of financial position.

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The following tables summarize information related to the lease assets and liabilities:

Year ended June 30, 2023		
Lease Costs		
Operating lease cost:		
Amortization of right-of-use assets	$	940,921
Interest on lease liabilities		243,040
Total Lease Cost	$	1,183,961

June 30, 2023		
Right-of-Use Assets and Liabilities		
Operating lease right-of-use assets, net of amortization	$	7,622,277
Operating lease liabilities		7,643,448

Year ended June 30, 2023		
Other Information		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	919,750
Weighted-average remaining lease term – operating leases		11.70 years
Weighted-average discount rate – operating leases		3.04%

For operating leases, ROU assets are recorded in operating lease ROU assets, net and lease liabilities are recorded in operating lease liabilities in the accompanying statement of financial position.

The following is a schedule of future minimum lease payments, including interest, under the term of the leases, together with the present value of the net minimum lease payments, as of June 30, 2023:

Year ending June 30,		
2024	$	928,744
2025		941,400
2026		954,223
2027		919,716
2028		570,000
Thereafter		4,797,500
Total Minimum Lease Payments		9,111,583
Less: amounts representing interest		(1,468,135)
Present Value of Net Minimum Lease Payments		7,643,448
Less: current portion		(706,276)
	$	6,937,172

Rental expense under these leases was $940,921 for the year ended June 30, 2023.

11. Contingencies

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, 2023, 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, 2023		
Scholarships	$	27,853
Robert and Barbara Fitzsimmons Children and Family Fund at Seamen's Society		74,155
Staten Island Foundation		7,100
3-K and 4-K		92,100
Total	$	201,208

During the year, the net assets released from donor restrictions were as follows:

Year ended June 30, 2023		
Scholarships	$	14,500
Robert and Barbara Fitzsimmons Children and Family Fund at Seamen's Society		48,085
Staten Island Foundation		145,000
Total	$	207,585

13. Subsequent Events

The Society's management has performed subsequent events procedures through December 28, 2023, 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.