

SBH COMMUNITY SERVICE NETWORK, INC.

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

DECEMBER 31, 2014

SBH COMMUNITY SERVICE NETWORK, INC.

**FINANCIAL STATEMENTS
AND AUDITOR'S REPORT**

TABLE OF CONTENTS

Independent Auditor's Report

Exhibit

- A - Balance Sheet**
- B - Statement of Activities**
- C - Statement of Functional Expenses**
- D - Statement of Cash Flows**

Notes to Financial Statements

Independent Auditor's Report

**Board of Directors
SBH Community Service Network, Inc.**

Report on the Financial Statements

We have audited the accompanying financial statements of SBH Community Service Network, Inc., which comprise the balance sheet as of December 31, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SBH Community Service Network, Inc. as of December 31, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited SBH Community Service Network, Inc.'s December 31, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Loeb & Troper LLP

November 4, 2015

SBH COMMUNITY SERVICE NETWORK, INC.

BALANCE SHEET

DECEMBER 31, 2014

(With Summarized Financial Information for December 31, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 686,160	\$ 783,316
Certificate of deposit	104,317	101,961
Investments (Note 2)	2,214,469	1,921,722
Accounts receivable	271,520	108,757
Contributions receivable - net (Note 3)	2,903,274	2,232,218
Grants receivable	190,739	143,603
Prepaid expenses and other assets	125,293	57,681
Fixed assets - net (Note 4)	<u>7,189,959</u>	<u>7,079,444</u>
Total assets	<u>\$ 13,685,731</u>	<u>\$ 12,428,702</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 203,606	\$ 88,294
Accrued payroll and related liabilities	177,155	40,710
Loan payable (Note 5)		100,000
Deferred income	220,972	127,456
Security deposit	<u>1,500</u>	<u>1,500</u>
Total liabilities	<u>603,233</u>	<u>357,960</u>
Net assets (Exhibit B)		
Unrestricted	10,011,746	9,887,776
Temporarily restricted (Note 7)	1,091,825	1,185,312
Permanently restricted (Note 8)	<u>1,978,927</u>	<u>997,654</u>
Total net assets	<u>13,082,498</u>	<u>12,070,742</u>
Total liabilities and net assets	<u>\$ 13,685,731</u>	<u>\$ 12,428,702</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

SBH COMMUNITY SERVICE NETWORK, INC.

EXHIBIT B

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014
 (With Summarized Financial Information
 for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2014	2013
Revenues, gains and other support					
Contributions	\$ 3,833,508	\$ 154,447	\$ 981,273	\$ 4,969,228	\$ 3,878,152
Program income - mental health clinic	1,370,792			1,370,792	976,893
Contractual revenue	233,855			233,855	224,315
Special events	\$ 2,247,642				
Direct cost of special events	<u>(1,047,401)</u>			1,200,241	1,066,271
Thrift store revenue	115,637			115,637	305,512
Grant revenue	515,206			515,206	528,751
Net realized/unrealized gain on investments	11,459	37,227		48,686	125,805
Interest and dividends	33,883	23,375		57,258	44,120
Rental income	103,492			103,492	115,419
Miscellaneous income	208,973			208,973	193,095
	<u>7,627,046</u>	<u>215,049</u>	<u>981,273</u>	<u>8,823,368</u>	<u>7,458,333</u>
Net assets released from restrictions (Note 7)	<u>269,434</u>	<u>(269,434)</u>			
Total revenues, gains and other support	<u>7,896,480</u>	<u>(54,385)</u>	<u>981,273</u>	<u>8,823,368</u>	<u>7,458,333</u>

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SBH COMMUNITY SERVICE NETWORK, INC.

EXHIBIT B

-2-

STATEMENT OF ACTIVITIES

YEAR ENDED DECEMBER 31, 2014
(With Summarized Financial Information
for the Year Ended December 31, 2013)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2014	2013
Expenses (Exhibit C)					
Program services					
Client Services	\$ 3,029,331			\$ 3,029,331	\$ 2,918,704
Career Services Network	470,087			470,087	401,553
Thrift Store Clothing/Food	132,064			132,064	287,170
Family Services	94,160			94,160	
S.E.A.R.C.H.					47,720
Community Services					150,834
Senior Services	69,818			69,818	
Medical	349,669			349,669	197,549
Volunteer	99,619			99,619	268,744
Manhattan Branch	67,995			67,995	
Jersey Shore Branch	546,923			546,923	
Mental Health Services	1,244,857			1,244,857	1,073,856
Total program services	<u>6,104,523</u>			<u>6,104,523</u>	<u>5,346,130</u>
Supporting services					
Management and general	1,007,354			1,007,354	1,387,504
Fund raising	660,633			660,633	507,169
Total supporting services	<u>1,667,987</u>			<u>1,667,987</u>	<u>1,894,673</u>
Total expenses	<u>7,772,510</u>			<u>7,772,510</u>	<u>7,240,803</u>
Change in net assets before other changes	123,970	\$ (54,385)	\$ 981,273	1,050,858	217,530
Loss on disposal of fixed assets					(35,790)
Bad debt loss		(39,102)		(39,102)	(9,600)
Change in net assets (Exhibit D)	123,970	(93,487)	981,273	1,011,756	172,140
Net assets - beginning of year	9,887,776	1,185,312	997,654	12,070,742	11,898,602
Net assets - end of year (Exhibit A)	<u>\$ 10,011,746</u>	<u>\$ 1,091,825</u>	<u>\$ 1,978,927</u>	<u>\$ 13,082,498</u>	<u>\$ 12,070,742</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014
 (With Summarized Financial Information
 for the Year Ended December 31, 2013)

	Program Services											Supporting Services			Total		
	Client Services	Career Services Network	Thrift Store Clothing/Food	Family Services	Senior Services	Medical	Volunteer	Manhattan Branch	Jersey Shore Branch	Mental Health Services	Total	Management and General	Fund Raising	Special Events	Total	2014	2013
Personnel expense (Note 11)																	
Salaries	\$ 713,277	\$ 315,187	\$ 72,359	\$ 57,453	\$ 30,054	\$ 187,936	\$ 47,110	\$ 45,993	\$ 291,448	\$ 350,757	\$ 2,111,574	\$ 493,743	\$ 314,005	\$ 807,748	\$ 2,919,322	\$ 2,620,728	
Payroll taxes	70,239	27,642	6,346	5,039	2,636	16,482	4,132	4,034	25,560	30,761	192,871	43,301	27,535	70,836	263,707	230,056	
Employee benefits	21,893	9,674	2,221	1,763	922	5,768	1,446	1,412	8,945	10,766	64,810	15,154	9,639	24,793	89,603	198,373	
Total professional employer expense	805,409	352,503	80,926	64,255	33,612	210,186	52,688	51,439	325,953	392,284	2,369,255	552,198	351,179	903,377	3,272,632	3,049,157	
Other costs																	
Financial aid	182,854										182,854			182,854	143,989		
Clients' rent	737,772										737,772			737,772	597,775		
Food	332,618								53,444			386,062		386,062	348,509		
Medical and homecare services						54,885					54,885			54,885	57,788		
Grant expense	168,570										168,570			168,570	103,859		
Camp scholarships	79,093										79,093			79,093	84,687		
Tutoring and educational aid	2,820										2,820			2,820	2,352		
Moving															1,021		
Holiday programs	109,116								25,344			134,460		134,460	103,072		
Child care	15,960										15,960			15,960	12,759		
Clients' utilities	223,606										223,606			223,606	192,744		
Flowers and gifts	8,085								111			8,196		8,196	17,528		
Clothing	12,661										12,661			12,661	17,540		
Medical referral						13,847					13,847			13,847	31,664		
Professional fees	48,000			6,166	12,060					720,774	787,000	102,074		102,074	889,074	724,933	
Occupancy	35,573	15,569	18,867	2,838	1,485	9,283	2,327	2,272	14,397	17,326	119,937	16,742	7,865	24,607	144,544	131,915	
Printing and postage	21,105	9,237	2,121	1,684	881	5,508	1,381	1,348	8,541	10,280	62,086	14,469	9,202	23,671	85,757	138,994	
Repairs and maintenance	56,025	24,521	5,629	4,470	2,338	14,621	3,665	3,578	22,674	27,288	164,809	38,411	24,429	62,840	227,649	183,826	
Bank charges											13,920			13,920	13,920	17,942	
Telephone	18,676	8,174	1,876	1,490	779	4,874	1,222	1,193	7,558	9,096	54,938	12,804	8,143	20,947	75,885	34,651	
Travel and meetings	33,270						12,154		12,656	6,171	64,251	15,483	18,410	348,056	381,949	446,200	294,335
Advertising	12,562	1,744	195	152	139	2,178	152	135	1,301	1,680	20,238	20,301	99,741	120,042	140,280	98,938	
Security			1,708						819		2,527		4,613	4,613	7,140	4,935	

STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2014
 (With Summarized Financial Information
 for the Year Ended December 31, 2013)

	Program Services											Supporting Services				Total	
	Client Services	Career Services Network	Thrift Store Clothing/Food	Family Services	Senior Services	Medical	Volunteer	Manhattan Branch	Jersey Shore Branch	Mental Health Services	Total	Management and General	Fund Raising	Special Events	Total	2014	2013
Other costs (continued)																	
Supplies	\$ 17,858	\$ 11,203	\$ 1,006	\$ 4,513	\$ 6,300	\$ 4,759	\$ 10,922	\$ 1,151	\$ 9,356	\$ 7,164	\$ 74,232	\$ 10,412	\$ 74,017	\$ 84,429	\$ 158,661	\$ 114,220	
Interest												2,712		2,712	2,712	4,583	
Insurance	18,612	8,146	1,870	1,485	777	4,857	1,218	1,189	7,532	9,065	54,751	12,761	8,115	20,876	75,627	65,272	
Depreciation	89,086	38,990	8,951	7,107	3,718	23,248	5,828	5,690	36,053	43,390	262,061	61,078	38,843	99,921	361,982	355,088	
Real estate taxes									19,394		19,394				19,394	119,263	
Hall, catering and entertainment														\$ 427,536	427,536	394,338	
Gifts and prizes														262,076	262,076	129,014	
Bad debts												128,869		128,869	128,869	292,230	
Miscellaneous expenses			8,915		7,729	1,423	8,062		1,790	339	28,258	5,120	16,076	9,733	30,929	165,548	
Total other costs	<u>2,223,922</u>	<u>117,584</u>	<u>51,138</u>	<u>29,905</u>	<u>36,206</u>	<u>139,483</u>	<u>46,931</u>	<u>16,556</u>	<u>220,970</u>	<u>852,573</u>	<u>3,735,268</u>	<u>455,156</u>	<u>309,454</u>	<u>1,047,401</u>	<u>1,812,011</u>	<u>5,547,279</u>	<u>4,985,312</u>
Total expenses by function	3,029,331	470,087	132,064	94,160	69,818	349,669	99,619	67,995	546,923	1,244,857	6,104,523	1,007,354	660,633	1,047,401	2,715,388	8,819,911	8,034,469
Less direct costs of special events														(1,047,401)	(1,047,401)	(793,666)	
Total expenses (Exhibit B)	<u>\$ 3,029,331</u>	<u>\$ 470,087</u>	<u>\$ 132,064</u>	<u>\$ 94,160</u>	<u>\$ 69,818</u>	<u>\$ 349,669</u>	<u>\$ 99,619</u>	<u>\$ 67,995</u>	<u>\$ 546,923</u>	<u>\$ 1,244,857</u>	<u>\$ 6,104,523</u>	<u>\$ 1,007,354</u>	<u>\$ 660,633</u>	<u>\$ -</u>	<u>\$ 1,667,987</u>	<u>\$ 7,772,510</u>	<u>\$ 7,240,803</u>

See independent auditor's report.

The accompanying notes are an integral part of these statements.

SBH COMMUNITY SERVICE NETWORK, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2014

Cash flows from operating activities	
Change in net assets (Exhibit B)	\$ 1,011,756
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	361,982
Realized/unrealized gain on investments	(48,686)
Permanently restricted contributions	(981,273)
Decrease (increase) in assets	
Accounts receivable	(162,763)
Contributions receivable	122,017
Grants receivable	(47,136)
Prepaid expenses and other assets	(67,612)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	115,312
Accrued payroll and related liabilities	136,445
Deferred income	93,516
	<hr/>
Net cash provided by operating activities	533,558
	<hr/>
Cash flows from investing activities	
Acquisition of fixed assets	(472,497)
Purchases of investments	(472,893)
Proceeds from sales and redemptions of investments	226,476
	<hr/>
Net cash used by investing activities	(718,914)
	<hr/>
Cash flows from financing activities	
Proceeds from permanently restricted contributions	188,200
Principal payments on loan	(100,000)
	<hr/>
Net cash provided by financing activities	88,200
	<hr/>
Net change in cash and cash equivalents	(97,156)
Cash and cash equivalents - beginning of year	783,316
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Cash and cash equivalents - end of year	\$ 686,160
	<hr/> <hr/>
Supplemental disclosure of cash flow information	
Cash paid during the year for interest	\$ 2,712
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See independent auditor's report.

The accompanying notes are an integral part of these statements.

SBH COMMUNITY SERVICE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 1 - NATURE OF ORGANIZATION

SBH Community Service Network, Inc. (SBH) provides various forms of assistance to individuals, whose needs are assessed on a case-by-case basis. SBH is supported primarily by contributions and special events.

SBH, a not-for-profit organization with offices located in Brooklyn, New York and Deal, New Jersey, is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is a publicly supported organization under Section 509(a).

In 2014 The Sephardic Bikur Holim Fund In Memory of Joseph D. Beyda, Inc. (The Foundation) was organized to engage in fund-raising activities and to provide grants and scholarships to support not-for-profit organizations, including SBH. The foundation had no activity during 2014. SBH is the sole member of the foundation. The Foundation qualifies as a tax-exempt organization under existing provisions of Internal Revenue Code Section 501(c)(3).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting - The financial statements are prepared on the accrual basis of accounting.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents - Cash and cash equivalents include certain short-term highly liquid investments with original maturities, when acquired, of three months or less.

Certificate of deposit - The certificate of deposit has a maturity date of more than three months and is considered an investment for purposes of cash flow reporting.

Investments - Investments are reported at fair value. Investment securities, in general, are exposed to various risks such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term, based on the markets' fluctuations, and that such changes could materially affect the amounts reported in the financial statements.

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SBH COMMUNITY SERVICE NETWORK, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*****Fair Value Measurements***

Fair Value Measurements establishes a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below. Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SBH has the ability to access. Level 2 inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability. Level 3 inputs to the valuation methodology are unobservable and significant to the fair value measurement. The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2014 as compared to December 31, 2013.

- ***Equities*** - Valued at the closing price reported on the active market on which the individual securities are traded.
- ***Mutual funds*** - Valued at the net asset value ("NAV") of shares held by SBH at year end.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

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SBH COMMUNITY SERVICE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurements (continued)

The following table sets forth by level, within the fair value hierarchy, the assets at fair value as of December 31, 2014:

	<u>Level 1</u>
Equities - stock	
Consumer discretionary	\$ 33,186
Consumer staples	167,815
Energy	19,725
Financial	112,605
Health care	14,202
Pharmaceuticals	53,581
Technology	38,011
Mutual funds	
Discovery value	100,472
Emerging markets	46,027
Fixed income	188,920
Global fixed income	332,933
Global real estate	118,818
Intermediate duration	321,095
International portfolio	206,403
Value equity	<u>83,674</u>
Investments at fair value	1,837,467
Cash and cash equivalents	<u>377,002</u>
Total investments	\$ <u>2,214,469</u>

Accounts receivable - SBH records receivables based on established rates or contracts for services provided. Interest is not charged on overdue receivables. Management has determined that an allowance was not necessary at December 31, 2014.

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SBH COMMUNITY SERVICE NETWORK, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Contributions receivable - Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the year in which the promises are received. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met. Interest is not accrued or recorded on outstanding receivables.

Grants receivable - SBH records revenue and receivables for grants from contracting agencies when reimbursable expenses are incurred under the terms of the contract. Such revenues are subject to audit by the agencies. No provision for any disallowances is reflected in the financial statements, since management does not anticipate any material adjustments.

Allowance for doubtful accounts - SBH determines whether an allowance for uncollectibles should be provided for receivables. Such estimates are based on management's assessment of the aged basis of its receivables, current economic conditions, subsequent receipts and historical information. Receivables are written off against the allowance for doubtful accounts when all reasonable collection efforts have been exhausted.

Fixed assets - Fixed assets are capitalized at cost. Items with a cost in excess of \$600 and an estimated useful life greater than one year are capitalized. Depreciation is provided on the straight-line method over the estimated useful lives of the assets.

Deferred income - Special event income is recognized at the net realizable amount when the event is held. The portion of income collected in advance but not yet earned is reflected as deferred income.

Contributions - Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as either temporarily or permanently restricted support 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, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying financial statements.

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SBH COMMUNITY SERVICE NETWORK, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Program income - mental health clinic - Revenues are reported at the estimated net realizable amounts from patients, third-party payors, which includes Medicaid and Medicare, and others for services rendered, based upon an agreement with third-party payors. Laws and regulations governing Medicaid and Medicare programs are extremely complex and 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 the Medicaid and/or Medicare programs.

Contractual revenue - Contractual revenue is recorded as revenue when SBH meets its contractual obligations under the agreement.

Rental income - Rental income is recognized on the straight-line basis based on signed rental agreements. Accrued rental income is recorded when material. Rental payments received in advance are deferred until earned.

Grant expense - Grants are recorded as expenses in the year in which they are awarded.

Advertising - Advertising costs are included in program, fund raising and management and general expenses, and are expensed as incurred.

Functional allocation of expenses - The costs of providing SBH's programs and other activities have been summarized on a functional basis. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Net assets - Unrestricted net assets include funds having no restrictions as to use or purpose imposed by donors. Temporarily restricted net assets are those funds restricted by donors, to be used for a specified time period or purpose. Permanently restricted funds are to be maintained in perpetuity at the behest of the donor and the income generated by such funds is utilized for operating purposes except if otherwise indicated by the donor.

Summarized financial information - The financial statements include certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2013, from which the summarized information was derived.

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SBH COMMUNITY SERVICE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications - Certain individual line items from the 2013 statement of activities and statement of functional expenses are being consolidated to conform to the 2014 presentation.

Uncertainty in income taxes - SBH has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements. Periods ending December 31, 2011 and subsequent remain subject to examination by applicable taxing authorities.

Subsequent events - Subsequent events have been evaluated through November 4, 2015, which is the date the financial statements were available to be issued.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

Receivables that are due in more than one year have been discounted to their present value using discount rates between 3- 6%. The receivables are due as follows:

2014 and prior	\$ 3,578,000
2015	102,210
2016	54,010
2017	52,510
2018	37,840
2019	20,000
Thereafter	<u>20,000</u>
	3,864,570
Less discount to present value	<u>(20,983)</u>
Present value of contributions receivable	3,843,587
Less allowance for doubtful accounts	<u>(940,313)</u>
Contributions receivable	\$ <u><u>2,903,274</u></u>

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SBH COMMUNITY SERVICE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 4 - FIXED ASSETS

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful Lives</u>
Land	\$ 356,534	\$ 356,534	
Building and improvements	9,982,440	9,900,831	31.5 years
Furniture and equipment	679,106	638,881	5-10 years
Construction in progress	<u>350,663</u>	<u> </u>	
	11,368,743	10,896,246	
Less accumulated depreciation	<u>(4,178,784)</u>	<u>(3,816,802)</u>	
	<u>\$ 7,189,959</u>	<u>\$ 7,079,444</u>	

NOTE 5 - LOANS PAYABLE

In October 2013 SBH renewed an uncollateralized loan from IDB Bank in the amount of \$100,000 at an interest rate of 3.5%. In October 2014 SBH paid off the loan. Interest expense for 2014 was \$2,712.

NOTE 6 - FUTURE NONCANCELABLE LEASES

Rental leases between SBH and tenants are long-term operating leases, expiring between October 2015 and June 2019.

Future noncancelable lease revenue is as follows:

2015	\$ 85,051
2016	59,284
2017	43,553
2018	44,858
2019	<u>18,920</u>
Total	<u>\$ 251,666</u>

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SBH COMMUNITY SERVICE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 7 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purpose and periods:

Sephardic hospital fund	\$ 762,182
Unappropriated endowment earnings	60,602
Periods after December 31, 2014	<u>269,041</u>
Total	\$ <u>1,091,825</u>

Net assets were released from restrictions in the current year for the following programs or periods:

Sephardic hospital fund	\$ 168,570
Endowment earnings appropriated for general support	70,664
Time restrictions lapsed	<u>30,200</u>
Total net assets released	\$ <u>269,434</u>

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS

General

SBH's endowments consist of individual donor-restricted endowment funds established to support activities of the organization. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of SBH has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). NYPMIFA moves away from the "historic dollar value" standard, and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. SBH is now governed by the NYPMIFA spending policy, which establishes a standard maximum prudent spending limit of 7%. As a result of this interpretation, SBH classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence prescribed by NYPMIFA.

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SBH COMMUNITY SERVICE NETWORK, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2014

NOTE 8 - PERMANENTLY RESTRICTED NET ASSETS (continued)

Return Objectives, Strategies Employed and Spending Policy

The objective of SBH is to generate investment income while maintaining the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in income-generating investments. Investment income earned in relation to the endowment fund is recorded as temporarily restricted net assets.

Funds with Deficiencies

SBH does not have any funds with deficiencies.

Permanently Restricted Net Asset Composition by Type of Fund as of December 31, 2014

The endowment net assets composition of \$1,978,927 consists of one permanently donor-restricted fund.

Changes in Endowment Net Assets for the Year Ended December 31, 2014

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 70,664	\$ 997,654	\$ 1,068,318
Contributions		981,273	981,273
Net realized/unrealized gain on investments	37,227		37,227
Interest and dividends	23,375		23,375
Appropriated for expenses	<u>(70,664)</u>	<u> </u>	<u>(70,664)</u>
Endowment net assets, end of year	<u>\$ 60,602</u>	<u>\$ 1,978,927</u>	<u>\$ 2,039,529</u>

NOTE 9 - CONCENTRATIONS

Financial instruments which potentially subject the organization to a concentration of credit risk are cash accounts with financial institutions in New York City in excess of FDIC insurance limits.

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SBH COMMUNITY SERVICE NETWORK, INC.**NOTES TO FINANCIAL STATEMENTS****DECEMBER 31, 2014****NOTE 10 - CONTINGENCIES**

SBH is responsible to report to and is regulated by various governmental third parties, among which are the Centers for Medicare and Medicaid Services (CMS) and OPWDD. These agencies, as well as the New York State Office of the Attorney General's Medicaid Fraud Control Unit (MFCU), the Internal Revenue Service, the New York State Office of the Attorney General's Charities Bureau, the New York State Department of Health's Independent Office of Medicaid Inspector General (OMIG), and other agencies have the right to audit fiscal as well as programmatic compliance, i.e., clinical documentation, among other compliance requirements. The current third-party-payor programs, including Medicaid, are based upon extremely complex laws and regulations. Noncompliance with such laws and regulations could result in fines, penalties and exclusion from such programs. SBH is not aware of any allegations of noncompliance that could have a material adverse effect on SBH's change in net assets or financial position and believes that it is substantially in compliance with all applicable laws and regulations.

NOTE 11 - PERSONNEL EXPENSE

Effective January 1, 2014, SBH entered into an agreement with a professional employer organization. Under the terms of this agreement, all employees are on the payroll of the professional employer organization and are leased to SBH.