

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEAR ENDED DECEMBER 31, 2019**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

# SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Consolidated Financial Statements</b>	
Statement of Financial Position with Consolidating Information	3
Statement of Activities with Consolidating Information	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7

## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
SBH Community Service Network, Inc. and Affiliate

We have audited the accompanying consolidated financial statements of SBH Community Service Network, Inc. and Affiliate (the "Organization"), which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the consolidated 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 Organization'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 consolidated financial statements.

(Continued)

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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of SBH Community Service Network, Inc. and Affiliate as of December 31, 2019, and the changes in their net assets and their cash flows for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Friedman LLP". The signature is written in a cursive, flowing style.

November 2, 2020

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION WITH CONSOLIDATING INFORMATION**

**DECEMBER 31, 2019**

	SBHC	SBHJB	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,684,202	\$ -	\$ 1,684,202
Investments	1,873,779	4,920,435	6,794,214
Accounts receivable	260,417	-	260,417
Contributions receivable - net	2,160,998	46,000	2,206,998
Grants receivable	731,104	-	731,104
Prepaid expenses	54,861	-	54,861
Other assets	12,895	-	12,895
Property and equipment - at cost, less accumulated depreciation and amortization	6,658,480	-	6,658,480
<b>Total assets</b>	<b>\$ 13,436,736</b>	<b>\$ 4,966,435</b>	<b>\$ 18,403,171</b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>Liabilities</b>			
Accounts payable and accrued expenses	\$ 152,947	\$ -	\$ 152,947
Accrued payroll and related liabilities	426,548	-	426,548
Deferred income	269,690	-	269,690
<b>Total liabilities</b>	<b>849,185</b>	<b>-</b>	<b>849,185</b>
Commitments and contingencies			
<b>Net assets</b>			
Without donor restrictions	11,916,752	1,598,860	13,515,612
With donor restrictions	670,799	3,367,575	4,038,374
<b>Total net assets</b>	<b>12,587,551</b>	<b>4,966,435</b>	<b>17,553,986</b>
<b>Total liabilities and net assets</b>	<b>\$ 13,436,736</b>	<b>\$ 4,966,435</b>	<b>\$ 18,403,171</b>

See notes to consolidated financial statements.

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**  
**CONSOLIDATED STATEMENT OF ACTIVITIES WITH CONSOLIDATING INFORMATION**

**YEAR ENDED DECEMBER 31, 2019**

	Without Donor Restrictions			With Donor Restrictions			Total
	SBHC	SBHJB	Total	SBHC	SBHJB	Total	
<b>Support and revenues</b>							
Contributions	\$ 4,918,850	\$ -	\$ 4,918,850	\$ 39,300	\$ 86,045	\$ 125,345	\$ 5,044,195
Program income - mental health clinic	1,988,482	-	1,988,482	-	-	-	1,988,482
Special events, net of direct expenses of \$1,696,729	2,151,031	-	2,151,031	-	-	-	2,151,031
Grant revenue	1,466,640	-	1,466,640	-	-	-	1,466,640
Rental income	129,100	-	129,100	-	-	-	129,100
In-kind contributions - food and clothing	181,162	-	181,162	-	-	-	181,162
Other income	55,774	-	55,774	-	-	-	55,774
Net assets released from restrictions	214,200	191,059	405,259	(214,200)	(191,059)	(405,259)	-
	11,105,239	191,059	11,296,298	(174,900)	(105,014)	(279,914)	11,016,384
Grant from SBHJB to SBHC	198,500	(198,500)	-	-	-	-	-
<b>Total support and revenues</b>	<b>11,303,739</b>	<b>(7,441)</b>	<b>11,296,298</b>	<b>(174,900)</b>	<b>(105,014)</b>	<b>(279,914)</b>	<b>11,016,384</b>
<b>Expenses</b>							
<b>Program services</b>							
Client services	4,844,795	-	4,844,795	-	-	-	4,844,795
Career services network	759,764	-	759,764	-	-	-	759,764
Thrift store clothing and food	263,650	-	263,650	-	-	-	263,650
Family services	178,842	-	178,842	-	-	-	178,842
Senior services	462,012	-	462,012	-	-	-	462,012
Medical	336,295	-	336,295	-	-	-	336,295
Volunteer	369,607	-	369,607	-	-	-	369,607
Mental health services	2,184,327	-	2,184,327	-	-	-	2,184,327
<b>Total program services</b>	<b>9,399,292</b>	<b>-</b>	<b>9,399,292</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,399,292</b>
<b>Supporting services</b>							
Management and general	1,530,590	-	1,530,590	-	-	-	1,530,590
Fundraising	733,265	-	733,265	-	-	-	733,265
<b>Total supporting services</b>	<b>2,263,855</b>	<b>-</b>	<b>2,263,855</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,263,855</b>
<b>Total expenses</b>	<b>11,663,147</b>	<b>-</b>	<b>11,663,147</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,663,147</b>
<b>Change in net assets before nonoperating changes</b>	<b>(359,408)</b>	<b>(7,441)</b>	<b>(366,849)</b>	<b>(174,900)</b>	<b>(105,014)</b>	<b>(279,914)</b>	<b>(646,763)</b>
<b>Nonoperating revenues and expenses</b>							
Net realized/unrealized gain on investments	200,985	228,960	429,945	-	428,403	428,403	858,348
Interest and dividends	41,701	53,646	95,347	-	71,456	71,456	166,803
<b>Total nonoperating revenues and expenses</b>	<b>242,686</b>	<b>282,606</b>	<b>525,292</b>	<b>-</b>	<b>499,859</b>	<b>499,859</b>	<b>1,025,151</b>
<b>Change in net assets</b>	<b>(116,722)</b>	<b>275,165</b>	<b>158,443</b>	<b>(174,900)</b>	<b>394,845</b>	<b>219,945</b>	<b>378,388</b>
Net assets, beginning of year	12,033,474	1,323,695	13,357,169	845,699	2,972,730	3,818,429	17,175,598
<b>Net assets, end of year</b>	<b>\$ 11,916,752</b>	<b>\$ 1,598,860</b>	<b>\$ 13,515,612</b>	<b>\$ 670,799</b>	<b>\$ 3,367,575</b>	<b>\$ 4,038,374</b>	<b>\$ 17,553,986</b>

See notes to consolidated financial statements.

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2019**

	Program Services											Supporting Services				Total Expenses
	Client Services			Career Services Network	Thrift Store		Senior Services	Medical	Volunteer	Mental Health Services		Management and General	Fund Raising	Special Events	Total	
	Brooklyn Branch	Jersey Shore Branch	Total		Food	Family Services				Total	Total					
<b>Personnel expenses</b>																
Salaries	\$ 1,149,633	\$ 451,616	\$ 1,601,249	\$ 515,173	\$ 89,458	\$ 117,836	\$ 314,302	\$ 172,718	\$ 168,276	\$ 969,262	\$ 3,948,274	\$ 713,350	\$ 381,169	\$ -	\$ 1,094,519	\$ 5,042,793
Payroll taxes and benefits	186,750	67,206	253,956	95,231	15,989	16,378	50,937	34,135	32,801	175,948	675,375	124,341	55,618	-	179,959	855,334
<b>Total personnel expenses</b>	<b>1,336,383</b>	<b>518,822</b>	<b>1,855,205</b>	<b>610,404</b>	<b>105,447</b>	<b>134,214</b>	<b>365,239</b>	<b>206,853</b>	<b>201,077</b>	<b>1,145,210</b>	<b>4,623,649</b>	<b>837,691</b>	<b>436,787</b>	<b>-</b>	<b>1,274,478</b>	<b>5,898,127</b>
<b>Other expenses</b>																
Financial assistance	113,342	45,481	158,823	-	-	-	2,262	650	-	-	161,735	-	-	-	-	161,735
Clients' rent	649,654	204,400	854,054	-	-	-	-	-	-	-	854,054	-	-	-	-	854,054
Food (including in-kind food of \$19,162)	369,775	157,194	526,969	-	18,462	-	20,763	1,319	27,021	-	594,534	-	-	-	-	594,534
Medical and homecare services	116,371	7,866	124,237	-	-	-	1,642	1,750	-	-	127,629	-	-	-	-	127,629
Camp scholarships	106,014	21,463	127,477	-	-	-	-	-	-	-	127,477	-	-	-	-	127,477
Tutoring and educational aid	13,720	-	13,720	-	-	-	-	-	-	-	13,720	-	-	-	-	13,720
Holiday programs	120,116	43,408	163,524	-	-	-	-	-	-	-	163,524	-	-	-	-	163,524
Child care	22,224	-	22,224	-	-	-	-	-	-	-	22,224	-	-	-	-	22,224
Clients' utilities	120,381	33,588	153,969	-	-	-	-	-	-	-	153,969	-	-	-	-	153,969
Flowers and gifts	10,216	3,432	13,648	-	-	-	-	-	-	-	13,648	-	-	-	-	13,648
Clothing (including in-kind clothing of \$162,000)	205,232	15,355	220,587	-	23,343	-	525	-	-	-	244,455	-	-	-	-	244,455
Grant expense	-	2,000	2,000	-	-	-	-	80,000	-	-	82,000	-	-	-	-	82,000
Professional fees	275	22,248	22,523	38,038	1,300	12,374	7,485	5,643	-	753,408	840,771	176,750	88,417	-	265,167	1,105,938
Occupancy	180,359	48,214	228,573	14,712	60,626	3,123	8,700	4,814	5,186	69,884	395,618	148,411	8,074	-	156,485	552,103
Printing and postage	2,554	3,911	6,465	-	63	-	-	395	-	870	7,793	2,051	6,082	-	8,133	15,926
Repairs and maintenance	-	50,318	50,318	24,873	3,241	700	3,312	1,680	12,427	66,918	163,469	16,760	-	-	16,760	180,229
Bank and credit card charges	-	-	-	-	20	-	-	-	-	-	20	3,269	81,671	-	84,940	84,960
Telephone	24,774	10,554	35,328	3,051	1,283	2,404	2,139	3,909	3,992	25,766	77,872	18,721	9,056	-	27,777	105,649
Travel and meetings	12,747	4,228	16,975	395	115	8,300	8,417	505	3,606	6,055	44,368	8,053	2,122	389,359	399,534	443,902
Advertising	-	1,525	1,525	1,356	2,976	1,711	1,255	6,293	4,728	4,727	24,571	6,890	56,928	-	63,818	88,389
Security	500	3,495	3,995	-	-	-	400	-	675	1,744	6,814	19,725	-	15,808	35,533	42,347
Supplies	14,764	32,175	46,939	11,011	36,822	637	5,779	1,293	33,905	13,580	149,966	52,836	5,803	173,326	231,965	381,931
Insurance	24,651	9,244	33,895	11,269	1,880	2,392	6,511	3,687	3,973	20,414	84,021	14,932	10,285	-	25,217	109,238
Depreciation and amortization	95,186	44,960	140,146	43,513	7,258	9,238	25,139	14,237	15,340	63,919	318,790	63,294	23,878	-	87,172	405,962
Hall, catering and entertainment	-	-	-	-	-	-	-	-	52,750	-	52,750	-	-	967,945	967,945	1,020,695
Gifts and prizes	-	-	-	-	-	-	-	-	-	-	-	-	-	150,291	150,291	150,291
Bad debts	-	-	-	-	-	-	-	-	-	-	-	88,661	-	-	88,661	88,661
Miscellaneous expenses	6,138	15,538	21,676	1,142	814	3,749	2,444	3,267	4,927	11,832	49,851	72,546	4,162	-	76,708	126,559
<b>Total other expenses</b>	<b>2,208,993</b>	<b>780,597</b>	<b>2,989,590</b>	<b>149,360</b>	<b>158,203</b>	<b>44,628</b>	<b>96,773</b>	<b>129,442</b>	<b>168,530</b>	<b>1,039,117</b>	<b>4,775,643</b>	<b>692,899</b>	<b>296,478</b>	<b>1,696,729</b>	<b>2,686,106</b>	<b>7,461,749</b>
<b>Total expenses by function</b>	<b>3,545,376</b>	<b>1,299,419</b>	<b>4,844,795</b>	<b>759,764</b>	<b>263,650</b>	<b>178,842</b>	<b>462,012</b>	<b>336,295</b>	<b>369,607</b>	<b>2,184,327</b>	<b>9,399,292</b>	<b>1,530,590</b>	<b>733,265</b>	<b>1,696,729</b>	<b>3,960,584</b>	<b>13,359,876</b>
Less direct cost of special events	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,696,729)	(1,696,729)	(1,696,729)
<b>Total expenses</b>	<b>\$ 3,545,376</b>	<b>\$ 1,299,419</b>	<b>\$ 4,844,795</b>	<b>\$ 759,764</b>	<b>\$ 263,650</b>	<b>\$ 178,842</b>	<b>\$ 462,012</b>	<b>\$ 336,295</b>	<b>\$ 369,607</b>	<b>\$ 2,184,327</b>	<b>\$ 9,399,292</b>	<b>\$ 1,530,590</b>	<b>\$ 733,265</b>	<b>\$ -0-</b>	<b>\$ 2,263,855</b>	<b>\$ 11,663,147</b>

See notes to consolidated financial statements.

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**YEAR ENDED DECEMBER 31, 2019**

**Cash flows from operating activities**

Change in net assets	\$ 378,388
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation and amortization	405,962
Provision for doubtful accounts	88,661
Realized/unrealized gain on investments	(858,348)
Changes in assets and liabilities	
Accounts receivable	38,888
Contributions receivable	135,210
Grants receivable	531,748
Prepaid expenses	133,317
Other assets	359,300
Accounts payable and accrued expenses	(189,410)
Accrued payroll and related liabilities	(61,043)
Deferred income	(146,955)
<b>Net cash provided by operating activities</b>	<b>815,718</b>

**Cash flows from investing activities**

Acquisition of property and equipment	(101,939)
Purchases of investments	(1,605,789)
Proceeds from sales of investments	951,284
<b>Net cash used in investing activities</b>	<b>(756,444)</b>

**Net increase in cash and cash equivalents** 59,274

Cash and cash equivalents, beginning of year	1,624,928
<b>Cash and cash equivalents, end of year</b>	<b>\$ 1,684,202</b>

**Noncash investing activities**

Disposal of fully depreciated equipment	\$ 424,000
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See notes to consolidated financial statements.

## **SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **1 - ORGANIZATION**

SBH Community Service Network, Inc. (“SBHC”) is a not-for-profit organization with offices located in Brooklyn, New York and Deal, New Jersey. SBHC 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. (“SBHJB”) was organized to engage in fund-raising activities, manage investments, maintain an endowment fund, and provide grants and scholarships to support not-for-profit organizations, including SBHC. SBHC is the sole member of SBHJB. SBHJB’s activity is consolidated in this report. SBHJB qualifies as a tax-exempt organization under existing provisions of Internal Revenue Code Section 501(c)(3).

SBH Community Service Network, Inc. and Affiliate (collectively, the “Organization” or “SBH”) provides various forms of assistance to individuals, whose needs are assessed on a case-by-case basis. SBH also operates a mental health clinic to provide counseling. SBH is supported primarily by contributions, special events and income from their clinic.

#### **2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Basis of Accounting and Presentation**

The Organization’s consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (“GAAP”), and include the accounts of SBHC and SBHJB. All significant intercompany accounts and transactions have been eliminated in consolidation.

The financial statement presentation is in accordance with Financial Accounting Standards Board Accounting Standards Codification (“FASB ASC”) 958, Not-for-Profit Entities. Under FASB ASC 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: those without donor restrictions and those with donor restrictions. Net assets without donor restrictions are those net assets that are not subject to donor-imposed restrictions. Net assets with donor restrictions are subject to donor stipulations that limit the use of their contributions, which either expire by the passage of time or when used for specified purposes.

##### **Changes in Accounting Principles**

The Organization adopted ASU No. 2014-09, “Revenue from Contracts with Customers” (Topic 606), effective January 1, 2019 using the modified retrospective transition method, which was applied to agreements that were either entered into after the effective date or were not completed as of the effective date. Under Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration

## SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

##### **Changes in Accounting Principles** (Continued)

to which the Organization expects to be entitled in exchange for those goods or services (i.e., transaction price). Adoption of this standard did not have a material impact on the Organization's consolidated financial statements.

The Organization also adopted ASU No. 2018-08, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made", effective January 1, 2019 using the modified prospective approach. The ASU amends the new revenue recognition standard and long-standing contribution accounting guidance.

This ASU provides a more robust framework to determine when a transaction should be accounted for as a grant or as an exchange transaction and provides additional guidance about how to determine whether a grant is conditional. Grants are considered conditional when the underlying agreement includes a performance barrier and a right of return or a right to release promised assets exists. Conditional promises to give are not recognized until the performance barrier and the right of return or release have been overcome. There was no restatement or cumulative effect to the consolidated financial statements as a result of adoption.

##### **Use of Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

##### **Cash and Cash Equivalents**

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. For purposes of the statement of cash flows, the Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents, except for cash and cash equivalents held within SBH's investment portfolio which are deemed to be held for long-term purposes.

##### **Investments**

Investments in equity securities having a readily determinable fair value are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external investment expenses.

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Investments (Continued)**

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 value 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.

**Fair Value**

GAAP establishes a framework for measuring fair value. That 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). Under GAAP, the three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization 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: Unobservable inputs that reflect management's own assumptions.

Investments in mutual funds, common and preferred stocks, and corporate bonds are stated at fair value based on quoted prices on a recognized securities exchange and are classified as Level 1 investments.

**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, 2019.

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Contributions Receivable**

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized and reported as contribution revenue. The carrying amount of contributions receivable is shown net of an allowance for doubtful accounts of \$1,467,560 as of December 31, 2019.

**Grants Receivable and Grant Revenue**

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 consolidated financial statements, since management does not anticipate any material adjustments.

**Allowance for Doubtful Accounts**

SBH determines whether an allowance should be provided for uncollectible 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.

**Property and Equipment**

Property and equipment are stated at cost less accumulated depreciation and amortization. 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. Leasehold improvements are amortized over the lesser of their useful lives or the term of the lease.

**Long-Lived Assets**

The Organization periodically evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value, and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. Based on management's evaluations, there were no impairments of long-lived assets as of December 31, 2019.

## **SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

##### **Contributions**

Gifts of cash and other assets received without donor stipulations are reported as revenue without donor restrictions. Gifts received with a donor stipulation that limits their use are reported as revenue with donor restrictions. When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Gifts having donor stipulations, which are satisfied in the period the gift is received, are reported as revenue without donor restrictions.

##### **Program Income - Mental Health Clinic**

Revenues are reported at the estimated net realizable amounts from patients, third-party payors (including Medicaid and Medicare), and others for services rendered, based upon agreements 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.

##### **Special Events**

Special event income is recognized at the net realizable amount when the event is held. A portion of the special event gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. The portion of special event income collected in advance but not yet earned is reflected as deferred income.

##### **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.

##### **In-Kind Contributions**

In addition to receiving cash contributions, SBH receives in-kind contributions of food and clothing from various donors. It is the policy of SBH to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the year ended December 31, 2019, in-kind contributions of \$181,162 were received by the Organization.

##### **Grant Expense**

Grants are made to various health related organizations pursuant to authorization by the Board of Directors of SBH and are recorded when awarded.

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Advertising**

Advertising costs are expensed as incurred.

**Functional Allocation of Expenses**

Certain costs have been allocated among the programs and supporting services they benefit, in accordance with bases that best reflect, in management's judgment, the proportionate benefits derived by the program or administrative unit. Salaries, payroll taxes and employee benefits are allocated based on employees' hours worked. Insurance, depreciation and amortization, and certain office expenses (including utilities and telephone expense) are allocated based on the salary allocation method. Occupancy charges are allocated based on square footage utilized and location. Specific expenses related to clients' rent, food, advertising and other classifications are directly charged to the function for which they are related.

**Measure of Operations**

SBH's operating loss includes revenues and expenses directly related to services provided and excludes net realized and unrealized gain on investments, interest and dividend income.

**Subsequent Events**

These consolidated financial statements were approved by management and available for issuance on November 2, 2020. Management has evaluated subsequent events through this date.

**3 - LIQUIDITY AND AVAILABILITY OF RESOURCES**

Financial assets consist of the Organization's cash and cash equivalents, investments, accounts receivable, contributions receivable and grants receivable. The following represents the Organization's financial assets reduced by an amount not available for general use within one year of the year ended because of contractual or donor-imposed restrictions at December 31, 2019:

Cash and cash equivalents	\$ 1,684,202
Investments	6,794,214
Accounts receivable	260,417
Contributions receivable, net	2,206,998
Grants receivable	731,104
<hr/> Total financial assets as of December 31, 2019	<hr/> 11,676,935
Less: Donor-restricted endowment (Note 6)	(3,367,575)
<hr/> Total financial assets available for general expenditure within one year	<hr/> \$ 8,309,360 <hr/>

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (Continued)**

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due. The Organization invests excess funds, along with its endowment fund, in various securities in accordance with the Organization’s investment policy, the objective of which, is to preserve the long-term purchasing power of its financial assets while also realizing appropriate investment income (refer to Note 5 and Note 7).

**4 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2019:

Land	\$	356,534	
Building and improvements		11,406,400	31.5 years
Leasehold improvements		170,658	10 years
Furniture and equipment		471,339	5 - 10 years
Vehicles		37,723	5 year
Construction in progress		68,335	
		<u>12,510,989</u>	
Less - Accumulated depreciation and amortization		<u>5,852,509</u>	
	\$	<u>6,658,480</u>	

Depreciation and amortization expense was \$405,962 for the year ended December 31, 2019.

**5 - INVESTMENTS**

The following table represents the Organization’s investments measured at fair value on a recurring basis at December 31, 2019.

	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 5,017,712	\$ -	\$ -	\$ 5,017,712
Common stocks	1,283,046	-	-	1,283,046
Preferred stocks	51,980	-	-	51,980
Fixed income	244,093	-	-	244,093
Cash and cash equivalents	197,383	-	-	197,383
	<u>\$ 6,794,214</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 6,794,214</u>

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6 - NET ASSETS WITH DONOR RESTRICTIONS**

The following summarizes the changes in net assets with donor restrictions:

Program	Balance, January 1, 2019	Contributions/ Investment Income	Released from Restrictions	Balance December 31, 2019
Sephardic hospital fund	\$ 711,499	\$ -	\$ (80,000)	\$ 631,499
Time restrictions	134,200	39,300	(134,200)	39,300
Endowment	2,972,730	585,904	(191,059)	3,367,575
<b>Total</b>	<b>\$ 3,818,429</b>	<b>\$ 625,204</b>	<b>\$ (405,259)</b>	<b>\$ 4,038,374</b>

**7 - ENDOWMENT**

SBH's endowment consists of a single donor-restricted endowment fund established to support general operations. 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 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 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 perpetually restricted net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual 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 perpetually restricted net assets is classified as donor-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.

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**7 - ENDOWMENT (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.

**Net Asset Composition by Fund Type**

The endowment net asset composition for December 31, 2019 of \$3,367,575 consists of one donor-restricted fund and the investment return in excess of the Organization's spending policy.

**Changes in Endowment Net Assets for the Year Ended December 31, 2019**

Endowment net assets, beginning of year	\$	2,972,730
Contributions		86,045
Net realized/unrealized gain on investments		428,403
Interest and dividends		71,456
Appropriated for expenditures		(191,059)
<u>Endowment net assets, end of year</u>	<u>\$</u>	<u>3,367,575</u>

**8 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable are those amounts pledged but not yet paid to SBH. At December 31, 2019, contributions receivable are due as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Past Due	\$ 3,237,258	\$ 338,000	\$ 3,575,258
2020	-	99,300	99,300
	3,237,258	437,300	3,674,558
Less: Allowance for uncollectible contributions	(1,115,560)	(352,000)	(1,467,560)
	\$ 2,121,698	\$ 85,300	\$ 2,206,998

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**9 - COMMITMENTS AND CONTINGENCIES**

**Lease Arrangements**

The Organization has operating leases for office and program space expiring through fiscal-year 2034. Future rental and related charges as of December 31, 2019 are approximately as follows:

2020	\$ 226,000
2021	219,000
2022	221,000
2023	227,000
2024	233,000
Thereafter	2,435,000
	<hr/> <u>\$ 3,561,000</u>

The above lease arrangements include future rental payments of approximately \$3,490,000 for space located at 1963 McDonald Avenue in Brooklyn, New York. The terms of the lease agreement include an option to purchase the property for the price of \$3,425,000, plus certain additional costs as defined in the lease agreement. The Organization intends to exercise this purchase option prior to the expiration of the option period in March 2024.

**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 the New York State Office of Mental Health (OMH). 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.

## **SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### **10 – EMPLOYEE BENEFIT PLAN**

Effective March 1, 2019, SBH began sponsoring a 403(b) retirement plan, under which eligible employees may contribute a percentage of their compensation as defined in the plan agreement in accordance with Internal Revenue Service regulations. According to the provisions of the plan, SBH may contribute matching contributions at its discretion. There were no matching contributions for the year ended December 31, 2019.

#### **11 - SUBSEQUENT EVENTS**

SBH's operations may be affected by the recent and ongoing outbreak of the coronavirus disease 2019 ("COVID-19"), which in March 2020, was declared a pandemic by the World Health Organization. The ultimate disruption that may be caused by the outbreak is uncertain; however, it may result in a material adverse impact on SBH's financial position, operations, cash flows and the value of assets, including investments and receivables.

On April 30, 2020, the Organization qualified for and received a loan pursuant to the Paycheck Protection Program, a program implemented by the U.S. Small Business Administration (the "SBA") under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), from a qualified lender, for an aggregate principal amount of \$1,113,845 (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, has a term of two years, and is unsecured and guaranteed by the SBA. The principal amount of the PPP Loan is subject to forgiveness under the Paycheck Protection Program upon the Organization's request to the extent that the PPP Loan proceeds are used to pay expenses permitted by the Paycheck Protection Program, including payroll costs, covered rent and covered utility payments incurred by the Organization. The Organization intends to apply for forgiveness of the PPP Loan with respect to these covered expenses.