

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2020 AND 2019**  
**AND**  
**INDEPENDENT AUDITORS' REPORT**

**FRIEDMAN LLP<sup>®</sup>**  
ACCOUNTANTS AND ADVISORS

# SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditors' Report</b>	1
<b>Consolidated Financial Statements</b>	
Statements of Financial Position with Consolidating Information	3
Statements of Activities with Consolidating Information	4
Statements of Functional Expenses	6
Statements of Cash Flows	8
Notes to Consolidated Financial Statements	9

## 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 statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of activities, functional expenses and cash flows for the years 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 audits. We conducted our audits 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, 2020 and 2019, and the changes in their net assets and their cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

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

October 29, 2021

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

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

	December 31, 2020			December 31, 2019		
	SBHC	SBHJB	Total	SBHC	SBHJB	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,330,955	\$ -	\$ 4,330,955	\$ 1,684,202	\$ -	\$ 1,684,202
Investments	2,236,389	5,285,683	7,522,072	1,873,779	4,920,435	6,794,214
Accounts receivable	247,964	-	247,964	260,417	-	260,417
Contributions receivable - net	2,214,952	23,000	2,237,952	2,160,998	46,000	2,206,998
Grants receivable	1,121,491	-	1,121,491	731,104	-	731,104
Prepaid expenses	104,197	-	104,197	54,861	-	54,861
Other assets	14,145	-	14,145	12,895	-	12,895
Property and equipment - at cost, less accumulated depreciation and amortization	6,385,228	-	6,385,228	6,658,480	-	6,658,480
<b>Total assets</b>	<b>\$ 16,655,321</b>	<b>\$ 5,308,683</b>	<b>\$ 21,964,004</b>	<b>\$ 13,436,736</b>	<b>\$ 4,966,435</b>	<b>\$ 18,403,171</b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 212,660	\$ -	\$ 212,660	\$ 152,947	\$ -	\$ 152,947
Accrued payroll and related liabilities	156,458	-	156,458	426,548	-	426,548
Deferred income	27,512	-	27,512	269,690	-	269,690
PPP loan payable	1,113,845	-	1,113,845	-	-	-
<b>Total liabilities</b>	<b>1,510,475</b>	<b>-</b>	<b>1,510,475</b>	<b>849,185</b>	<b>-</b>	<b>849,185</b>

Commitments and contingencies

**Net assets**

Without donor restrictions	13,989,791	1,777,567	15,767,358	11,916,752	1,598,860	13,515,612
With donor restrictions	1,155,055	3,531,116	4,686,171	670,799	3,367,575	4,038,374
<b>Total net assets</b>	<b>15,144,846</b>	<b>5,308,683</b>	<b>20,453,529</b>	<b>12,587,551</b>	<b>4,966,435</b>	<b>17,553,986</b>
<b>Total liabilities and net assets</b>	<b>\$ 16,655,321</b>	<b>\$ 5,308,683</b>	<b>\$ 21,964,004</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, 2020

	Without Donor Restrictions			With Donor Restrictions		
	SBHC	SBHJB	Total	SBHC	SBHJB	Total
<b>Support and revenues</b>						
Contributions	\$ 7,003,370	\$ -	\$ 7,003,370	\$ 528,556	\$ 44,722	\$ 573,278
Program income - mental health clinic	2,270,867	-	2,270,867	-	-	-
Special events, net of direct expenses of \$903,298	1,657,300	-	1,657,300	-	-	-
Grant revenue	1,808,644	-	1,808,644	-	-	-
Rental income	124,143	-	124,143	-	-	-
In-kind contributions - food and clothing	222,706	-	222,706	-	-	-
Other income	99,323	-	99,323	-	-	-
Net assets released from restrictions	44,300	203,556	247,856	(44,300)	(203,556)	(247,856)
	13,230,653	203,556	13,434,209	484,256	(158,834)	325,422
Grant from SBHJB to SBHC	242,374	(242,374)	-	-	-	-
Total support and revenues	13,473,027	(38,818)	13,434,209	484,256	(158,834)	325,422
<b>Expenses</b>						
Program services						
Client services	4,688,636	-	4,688,636	-	-	-
Career services network	868,672	-	868,672	-	-	-
Clothing and food	341,092	-	341,092	-	-	-
Family services	292,803	-	292,803	-	-	-
Senior services	521,335	-	521,335	-	-	-
Medical	213,002	-	213,002	-	-	-
Volunteer	267,671	-	267,671	-	-	-
Mental health services	2,377,522	-	2,377,522	-	-	-
Total program services	9,570,733	-	9,570,733	-	-	-
Supporting services						
Management and general	1,409,362	-	1,409,362	-	-	-
Fundraising	634,290	-	634,290	-	-	-
Total supporting services	2,043,652	-	2,043,652	-	-	-
Total expenses	11,614,385	-	11,614,385	-	-	-
Change in net assets before nonoperating changes	1,858,642	(38,818)	1,819,824	484,256	(158,834)	325,422
Nonoperating revenues						
Net realized/unrealized gain on investments	164,046	177,569	341,615	-	263,159	263,159
Interest and dividends	50,351	39,956	90,307	-	59,216	59,216
Total nonoperating revenues	214,397	217,525	431,922	-	322,375	322,375
<b>Change in net assets</b>	2,073,039	178,707	2,251,746	484,256	163,541	647,797
Net assets, beginning of year	11,916,752	1,598,860	13,515,612	670,799	3,367,575	4,038,374
<b>Net assets, end of year</b>	\$ 13,989,791	\$ 1,777,567	\$ 15,767,358	\$ 1,155,055	\$ 3,531,116	\$ 4,686,171

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)	-	-	-	-	-
Total support and revenues	11,303,739	(7,441)	11,296,298	(174,900)	(105,014)	(279,914)	11,016,384
<b>Expenses</b>							
Program services	4,844,795	-	4,844,795	-	-	-	4,844,795
Client services	759,764	-	759,764	-	-	-	759,764
Career services network	263,650	-	263,650	-	-	-	263,650
Clothing and food	178,842	-	178,842	-	-	-	178,842
Family services	462,012	-	462,012	-	-	-	462,012
Senior services	336,295	-	336,295	-	-	-	336,295
Medical	369,607	-	369,607	-	-	-	369,607
Volunteer	2,184,327	-	2,184,327	-	-	-	2,184,327
Mental health services	9,399,292	-	9,399,292	-	-	-	9,399,292
Total program services	15,530,590	-	15,530,590	-	-	-	15,530,590
Supporting services	733,265	-	733,265	-	-	-	733,265
Management and general	2,263,855	-	2,263,855	-	-	-	2,263,855
Fundraising	11,663,147	-	11,663,147	-	-	-	11,663,147
Total supporting services	(359,408)	(7,441)	(366,849)	(174,900)	(105,014)	(279,914)	(646,763)
Total expenses	200,985	228,960	429,945	-	428,403	428,403	858,348
Change in net assets before nonoperating changes	41,701	53,646	95,347	-	71,456	71,456	166,803
Nonoperating revenues	242,686	282,606	525,292	-	499,859	499,859	1,025,151
Net realized/unrealized gain on investments	(116,722)	275,165	158,443	(174,900)	394,845	219,945	378,388
Interest and dividends	12,033,474	1,323,695	13,357,169	845,699	2,972,730	3,818,429	17,175,598
Net assets, beginning of year	\$ 11,916,752	\$ 1,598,860	\$ 13,515,612	\$ 670,799	\$ 3,367,575	\$ 4,038,374	\$ 17,553,986
Net assets, end of year							

See notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2020

	Program Services										Total	Management and General	Fund Raising	Spec Events
	Client Services			Career Services			Medical			Mental Health Services				
Brooklyn Branch	Jersey Shore Branch	Total	Clothing and Food	Family Services	Senior Services	Medical	Volunteer	Mental Health Services	Total	Management and General	Fund Raising	Spec Events		
\$ 1,332,288	\$ 327,642	\$ 1,659,930	\$ 604,816	\$ 214,865	\$ 369,300	\$ 94,786	\$ 178,043	\$ 985,447	\$ 4,196,297	\$ 664,088	\$ 293,012	\$ -		
161,950	41,987	203,937	15,347	20,359	40,752	9,990	29,847	149,620	560,788	72,843	26,698	-		
1,494,238	369,629	1,863,867	104,457	235,224	410,052	104,776	207,890	1,135,067	4,757,085	736,931	319,710	\$ -		
149,274	34,531	183,805	-	-	150	-	-	-	183,955	-	-	-		
567,084	170,291	737,375	-	-	-	-	-	-	737,375	-	-	-		
534,517	115,659	650,176	182,107	1,255	3,778	-	4,136	176	841,628	18,396	680	-		
73,205	21,401	94,606	-	-	2,024	750	-	-	97,380	-	-	-		
1,500	4,000	5,500	-	-	-	-	-	-	5,500	-	-	-		
-	9,013	9,013	-	-	-	-	-	-	9,013	-	-	-		
142,169	51,173	193,342	-	-	-	-	-	-	193,342	-	-	-		
12,003	3,077	15,080	-	-	-	-	-	-	15,080	-	-	-		
112,454	39,687	152,141	-	-	733	-	-	-	152,874	-	-	-		
10,059	15,741	25,800	-	-	-	-	-	-	25,800	-	-	-		
148,754	3,107	151,861	16,140	-	-	-	1,241	-	169,242	-	-	-		
44,000	-	44,000	-	-	-	80,000	-	-	124,000	-	-	-		
44,962	20,460	65,422	2,191	5,871	11,075	2,310	5,161	882,953	1,007,584	163,291	21,148	-		
87,081	74,857	161,938	7,995	13,496	23,527	6,012	11,928	150,589	415,404	69,319	97,434	-		
6,782	123	6,905	-	-	-	58	-	36	6,999	9,690	69	-		
-	22,997	22,997	233	-	2,400	-	387	33,473	59,490	50,239	3,545	-		
-	29	29	-	-	-	-	-	-	29	11,045	102,796	-		
30,713	7,598	38,311	2,147	4,835	8,428	2,154	4,273	23,331	97,780	15,147	6,572	-		
49,311	19,772	69,083	3,447	7,763	13,532	3,458	5,461	37,459	157,064	24,245	5,624	-		
1,684	421	2,105	26	2,420	1,421	-	176	1,004	7,152	1,808	267	-		
-	2,453	2,453	-	50	656	3,398	-	2,503	9,060	6,283	31,133	-		
-	2,620	2,620	109	-	-	-	-	-	2,729	9,234	-	-		
6,510	7,299	13,809	12,110	74	4,362	-	6,869	2,493	44,383	47,137	8,054	-		
26,914	6,658	33,572	1,881	4,237	7,386	1,887	3,744	20,445	85,684	13,273	5,758	-		
110,646	27,370	138,016	7,735	17,418	30,364	7,758	15,394	84,050	352,254	54,569	23,675	-		
-	99	99	-	-	-	-	-	-	99	-	-	-		
-	224	224	540	160	422	-	1,011	613	3,465	442	-	-		
-	-	-	-	-	-	-	-	-	-	117,722	-	-		
2,112	2,375	4,487	-	-	1,025	441	-	3,330	9,283	60,591	7,825	-		
2,170,747	654,022	2,824,769	172,920	57,579	111,283	108,226	59,781	1,242,455	4,813,648	672,431	314,580	9		
3,664,985	1,023,651	4,688,636	868,672	292,803	521,335	213,002	267,671	2,377,522	9,570,733	1,409,362	634,290	9		
\$ 3,664,985	\$ 1,023,651	\$ 4,688,636	\$ 868,672	\$ 292,803	\$ 521,335	\$ 213,002	\$ 267,671	\$ 2,377,522	\$ 9,570,733	\$ 1,409,362	\$ 634,290	\$ -		

(9)



CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 2019

	Program Services											Supporting Services		
	Client Services			Career Services			Program Services			Mental Health Services		Management and General		Fund Raising
	Brooklyn Branch	Jersey Shore Branch	Total	Career Services Network	Clothing and Food	Family Services	Senior Services	Medical	Volunteer	Mental Health Services	Total	Management and General	Fund Raising	
\$	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	
	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	
	1,336,383	518,822	1,855,205	610,404	105,447	134,214	365,239	206,853	201,077	1,145,210	4,623,649	837,691	436,787	
	113,342	45,481	158,823	-	-	-	2,262	650	-	-	161,735	-	-	
	649,654	204,400	854,054	-	-	-	-	-	-	-	854,054	-	-	
	369,775	157,194	526,969	-	18,462	-	20,763	1,319	27,021	-	594,534	-	-	
	116,371	7,866	124,237	-	-	-	1,642	1,750	-	-	127,629	-	-	
	106,014	21,463	127,477	-	-	-	-	-	-	-	127,477	-	-	
	13,720	-	13,720	-	-	-	-	-	-	-	13,720	-	-	
	120,116	43,408	163,524	-	-	-	-	-	-	-	163,524	-	-	
	22,224	-	22,224	-	-	-	-	-	-	-	22,224	-	-	
	120,381	33,588	153,969	-	-	-	-	-	-	-	153,969	-	-	
	10,216	3,432	13,648	-	-	-	-	-	-	-	13,648	-	-	
	205,232	15,355	220,587	-	23,343	-	525	-	-	-	244,455	-	-	
	-	2,000	2,000	-	-	-	-	80,000	-	-	82,000	-	-	
	275	22,248	22,523	38,038	1,300	12,374	7,485	5,643	-	753,408	840,771	176,750	88,417	
	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	
	2,554	3,911	6,465	-	63	-	-	395	-	870	7,793	2,051	6,082	
	-	50,318	50,318	24,873	3,241	700	3,312	1,680	12,427	66,918	163,469	16,760	-	
	-	-	-	-	20	-	-	-	-	-	20	-	-	
	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	
	12,747	4,228	16,975	395	115	8,300	8,417	505	3,606	6,055	44,368	8,053	2,122	
	-	1,525	1,525	1,356	2,976	1,711	1,255	6,293	4,728	4,727	24,571	6,890	56,928	
	500	3,495	3,995	-	-	-	400	-	675	1,744	6,814	19,725	-	
	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	
	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	
	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	
	-	-	-	-	-	-	-	-	52,750	-	52,750	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	-	-	-	-	-	-	
	6,138	15,538	21,676	1,142	814	3,749	2,444	3,267	4,927	11,832	49,851	88,661	-	
	2,208,993	780,597	2,989,590	149,360	158,203	44,628	96,773	129,442	168,530	1,039,117	4,775,643	692,899	296,478	
	3,545,376	1,299,419	4,844,795	759,764	263,650	178,842	462,012	336,295	369,607	2,184,327	9,399,292	1,530,590	733,265	
	-	-	-	-	-	-	-	-	-	-	-	-	-	
\$	3,545,376	1,299,419	4,844,795	759,764	263,650	178,842	462,012	336,295	369,607	2,184,327	9,399,292	1,530,590	733,265	

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2020	2019
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 2,899,543	\$ 378,388
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation and amortization	430,498	405,962
Provision for doubtful accounts	117,722	88,661
Realized/unrealized gain on investments	(604,774)	(858,348)
Changes in assets and liabilities		
Accounts receivable	12,453	38,888
Contributions receivable	(148,676)	135,210
Grants receivable	(390,387)	531,748
Prepaid expenses	(49,336)	133,317
Other assets	(1,250)	359,300
Accounts payable and accrued expenses	59,713	(189,410)
Accrued payroll and related liabilities	(270,090)	(61,043)
Deferred income	(242,178)	(146,955)
Net cash provided by operating activities	1,813,238	815,718
<b>Cash flows from investing activity</b>		
Acquisition of property and equipment	(157,246)	(101,939)
Purchases of investments	(2,100,699)	(1,605,789)
Proceeds from sales of investments	1,977,615	951,284
Net cash used in investing activities	(280,330)	(756,444)
<b>Cash flows from financing activities</b>		
Proceeds from PPP loan	1,113,845	-
Net increase in cash and cash equivalents	2,646,753	59,274
Cash and cash equivalents, beginning of year	1,684,202	1,624,928
<b>Cash and cash equivalents, end of year</b>	<b>\$ 4,330,955</b>	<b>\$ 1,684,202</b>
<b>Noncash investing activity</b>		
Disposal of fully depreciated equipment	\$ -	\$ 424,000

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. Net assets with donor restrictions include the Organization’s endowment corpus to be held in perpetuity.

##### **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.

## SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

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

Cash balances in banks are insured by the Federal Deposit Insurance Corporation subject to certain limitations. For purposes of the consolidated statements 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.

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 consolidated 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.

## SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

##### **Fair Value** (Continued)

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, 2020 and 2019.

##### **Contributions Receivable - Net**

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 \$951,977 and \$1,467,560 as of December 31, 2020 and 2019, respectively.

##### **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, if purchased or fair value if contributed, 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.

## SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

##### **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, 2020 and 2019.

##### **Paycheck Protection Program ("PPP") Loan**

The Organization's policy is to account for the PPP loan (See Note 7) as debt. The Organization will continue to record the loan as debt until either (1) the loan is partially or entirely forgiven and the Organization has been legally released, at which point the amount forgiven will be recorded as income or (2) the Organization pays off the loan.

##### **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 consolidated statements 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. Contributions 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.

##### **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, typically when the event is held, which is when control of the promised goods or services is transferred in an amount that reflects the consideration to which the Organization expects to be entitled in exchange for those goods or services (i.e., transaction price).

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

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

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

##### **Special Events (Continued)**

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 consolidated financial statements, and similarly increase contribution revenue by a like amount. During the years ended December 31, 2020 and 2019, the Organization received in-kind contributions of \$222,706 and \$181,162, respectively.

##### **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.

##### **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 income (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 October 29, 2021. Management has evaluated subsequent events through this date.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**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 at December 31, 2020 and 2019, reduced by an amount not available for general use within one year of the years then ended because of contractual or donor-imposed restrictions:

	December 31,	
	2020	2019
Cash and cash equivalents	\$ 4,330,955	\$ 1,684,202
Investments	7,522,072	6,794,214
Accounts receivable	247,964	260,417
Contributions receivable, net	2,237,952	2,206,998
Grants receivable	1,121,491	731,104
<b>Total financial assets</b>	<b>15,460,434</b>	<b>11,676,935</b>
Less: Contributions receivable due after one year (Note 5)	(216,666)	-
Less: Donor-restricted endowment (Note 9)	(3,531,116)	(3,367,575)
<b>Total financial assets available for general expenditure within one year</b>	<b>\$ 11,712,652</b>	<b>\$ 8,309,360</b>

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 4 and Note 9).

**4 - INVESTMENTS**

The following table represents the Organization’s investments measured at fair value on a recurring basis at December 31, 2020 and 2019:

December 31, 2020	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 5,715,206	\$ -	\$ -	\$ 5,715,206
Common stocks	1,315,362	-	-	1,315,362
Preferred stocks	48,100	-	-	48,100
Fixed income	239,361	-	-	239,361
Cash and cash equivalents	204,043	-	-	204,043
	<b>\$ 7,522,072</b>	<b>\$ -0-</b>	<b>\$ -0-</b>	<b>\$ 7,522,072</b>



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**4 - INVESTMENTS (Continued)**

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>

**5 - CONTRIBUTIONS RECEIVABLE**

Contributions receivable are those amounts pledged but not yet paid to SBH. At December 31, 2020, contributions receivable are due as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Past Due	\$ 2,638,373	\$ 23,000	\$ 2,661,373
2021	-	311,890	311,890
2022	-	216,666	216,666
	<u>2,638,373</u>	<u>551,556</u>	<u>3,189,929</u>
Less: Allowance for uncollectible contributions	(951,977)	-	(951,977)
	<u>\$ 1,686,396</u>	<u>\$ 551,556</u>	<u>\$ 2,237,952</u>

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
	<u>3,237,258</u>	<u>437,300</u>	<u>3,674,558</u>
Less: Allowance for uncollectible contributions	(1,115,560)	(352,000)	(1,467,560)
	<u>\$ 2,121,698</u>	<u>\$ 85,300</u>	<u>\$ 2,206,998</u>

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**6 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2020 and 2019:

	2020	2019	
Land	\$ 356,534	\$ 356,534	
Building and improvements	11,443,200	11,406,400	31.5 years
Leasehold improvements	170,658	170,658	10 years
Furniture and equipment	513,829	471,339	5 - 10 years
Vehicles	37,723	37,723	5 years
Construction in progress	146,291	68,335	
	<u>12,668,235</u>	<u>12,510,989</u>	
Less - Accumulated depreciation and amortization	(6,283,007)	(5,852,509)	
	<u>\$ 6,385,228</u>	<u>\$ 6,658,480</u>	

Depreciation and amortization expense was \$430,498 and \$405,962 for the years ended December 31, 2020 and 2019 respectively.

**7 - PPP LOAN PAYABLE AND SUBSEQUENT EVENTS**

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 balance of the loan at December 31, 2020 was \$1,113,845. Interest expense on the loan as of December 31, 2020 was \$7,608 and is included in accrued interest payable at December 31, 2020. On July 23, 2021, the entire loan principal balance and accrued interest of \$13,892 were fully forgiven and there is no amount due to the lender.

On January 21, 2021, the Organization qualified for and received a second draw PPP loan pursuant to the Paycheck Protection Program in the amount of \$1,065,507. The loan bears interest at a fixed rate of 1.0% per annum, has a term of five years, and is unsecured and guaranteed by the SBA. On August 20, 2021, the entire loan principal balance and accrued interest of \$6,186 were fully forgiven and there is no amount due to the lender.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**8 - NET ASSETS WITH DONOR RESTRICTIONS**

The following summarizes the changes in net assets with donor restrictions for the years ended December 31, 2020 and 2019:

Program	Balance, January 1, 2020	Contributions/ Investment Income	Released from Restrictions	Balance December 31, 2020
Sephardic hospital fund	\$ 631,499	\$ -	\$ (5,000)	\$ 626,499
Time restrictions	39,300	528,556	(39,300)	528,556
Endowment	3,367,575	367,097	(203,556)	3,531,116
<b>Total</b>	<b>\$ 4,038,374</b>	<b>\$ 895,653</b>	<b>\$ (247,856)</b>	<b>\$ 4,686,171</b>

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>

**9 - 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.

## SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 9 - ENDOWMENT (Continued)

##### **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.

##### **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 of \$3,531,116 and \$3,367,575 as of December 31, 2020 and 2019, respectively, 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, 2020 and 2019 respectively:

Endowment net assets as of January 1, 2020	\$	3,367,575
Contributions		44,722
Net realized/unrealized gain on investments		263,159
Interest and dividends		59,216
Appropriated for expenditures		(203,556)
<b>Endowment net assets as of December 31, 2020</b>	<b>\$</b>	<b>3,531,116</b>
Endowment net assets as of January 1, 2019	\$	2,972,730
Contributions		86,045
Net realized/unrealized gain on investments		428,403
Interest and dividends		71,456
Appropriated for expenditures		(191,059)
<b>Endowment net assets as of December 31, 2019</b>	<b>\$</b>	<b>3,367,575</b>

## SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 10 - 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, 2020 are approximately as follows:

2021	\$ 219,000
2022	221,000
2023	227,000
2024	233,000
2025	239,000
Thereafter	2,196,000
	<hr/>
	\$ 3,335,000

The above lease arrangements include future rental payments of approximately \$3,320,000 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.

#### 11 - 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**11 - EMPLOYEE BENEFIT PLAN (Continued)**

According to the provisions of the plan, SBH may contribute matching contributions at its discretion. There were no matching contributions for the years ended December 31, 2020 and 2019.

**12 - RISKS AND UNCERTAINTIES**

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.