

**SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**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>	
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

**Opinion**

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 with consolidating information as of December 31, 2021 and 2020, and the related consolidated statements of activities with consolidating information, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of December 31, 2021 and 2020, 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.

**Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of SBH Community Service Network, Inc. and Affiliate and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of Management for the 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

(Continued)


## **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SBH Community Service Network, Inc. and Affiliate's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

  
November 2, 2022

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

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

	December 31, 2021			December 31, 2020		
	SBHC	SBHJB	Total	SBHC	SBHJB	Total
<b>ASSETS</b>						
Cash and cash equivalents	\$ 5,410,605	\$ -	\$ 5,410,605	\$ 4,330,955	\$ -	\$ 4,330,955
Investments	4,592,960	5,738,322	10,331,282	2,236,389	5,285,683	7,522,072
Accounts receivable	204,366	-	204,366	247,964	-	247,964
Contributions receivable - net	2,682,200	72,000	2,754,200	2,214,952	23,000	2,237,952
Grants receivable	905,381	-	905,381	1,121,491	-	1,121,491
Employee retention credit receivable	1,041,015	-	1,041,015	-	-	-
Prepaid expenses	169,376	-	169,376	104,197	-	104,197
Other assets	19,645	-	19,645	14,145	-	14,145
Property and equipment - at cost, less accumulated depreciation and amortization	7,813,425	-	7,813,425	6,385,228	-	6,385,228
<b>Total assets</b>	<b>\$ 22,838,973</b>	<b>\$ 5,810,322</b>	<b>\$ 28,649,295</b>	<b>\$ 16,655,321</b>	<b>\$ 5,308,683</b>	<b>\$ 21,964,004</b>
<b>LIABILITIES AND NET ASSETS</b>						
<b>Liabilities</b>						
Accounts payable and accrued expenses	\$ 637,395	\$ -	\$ 637,395	\$ 212,660	\$ -	\$ 212,660
Accrued payroll and related liabilities	199,240	-	199,240	156,458	-	156,458
Deferred income	808,064	-	808,064	27,512	-	27,512
PPP loan payable	-	-	-	1,113,845	-	1,113,845
<b>Total liabilities</b>	<b>1,644,699</b>	<b>-</b>	<b>1,644,699</b>	<b>1,510,475</b>	<b>-</b>	<b>1,510,475</b>
Commitments and contingencies						
<b>Net assets</b>						
Without donor restrictions	20,195,825	2,051,123	22,246,948	13,989,791	1,777,567	15,767,358
With donor restrictions	998,449	3,759,199	4,757,648	1,155,055	3,531,116	4,686,171
<b>Total net assets</b>	<b>21,194,274</b>	<b>5,810,322</b>	<b>27,004,596</b>	<b>15,144,846</b>	<b>5,308,683</b>	<b>20,453,529</b>
<b>Total liabilities and net assets</b>	<b>\$ 22,838,973</b>	<b>\$ 5,810,322</b>	<b>\$ 28,649,295</b>	<b>\$ 16,655,321</b>	<b>\$ 5,308,683</b>	<b>\$ 21,964,004</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, 2021**

	Without Donor Restrictions			With Donor Restrictions			Total
	SBHC	SBHJB	Total	SBHC	SBHJB	Total	
<b>Support and revenues</b>							
Contributions	\$ 6,217,603	\$ -	\$ 6,217,603	\$ 644,000	\$ 80,060	\$ 724,060	\$ 6,941,663
Program income - mental health clinic	1,900,938	-	1,900,938	-	-	-	1,900,938
Special events, net of direct expenses of \$895,233	2,934,656	-	2,934,656	-	-	-	2,934,656
Grant revenue	2,230,868	-	2,230,868	-	-	-	2,230,868
Rental income	121,200	-	121,200	-	-	-	121,200
In-kind contributions - food, clothing and jewelry	783,657	-	783,657	-	-	-	783,657
PPP loan forgiveness	2,199,430	-	2,199,430	-	-	-	2,199,430
Employee retention credit	1,041,015	-	1,041,015	-	-	-	1,041,015
Other income	147,237	-	147,237	-	-	-	147,237
Net assets released from restrictions	800,606	212,426	1,013,032	(800,606)	(212,426)	(1,013,032)	-
	18,377,210	212,426	18,589,636	(156,606)	(132,366)	(288,972)	18,300,664
Grant from SBHJB to SBHC	208,719	(208,719)	-	-	-	-	-
<b>Total support and revenues</b>	<b>18,585,929</b>	<b>3,707</b>	<b>18,589,636</b>	<b>(156,606)</b>	<b>(132,366)</b>	<b>(288,972)</b>	<b>18,300,664</b>
<b>Expenses</b>							
Program services							
Client services	3,856,307	-	3,856,307	-	-	-	3,856,307
Career services network	1,039,567	-	1,039,567	-	-	-	1,039,567
Clothing and food	377,271	-	377,271	-	-	-	377,271
Family services	397,987	-	397,987	-	-	-	397,987
Senior services	1,226,148	-	1,226,148	-	-	-	1,226,148
Medical	429,311	-	429,311	-	-	-	429,311
Volunteer	286,582	-	286,582	-	-	-	286,582
Mental health services	2,492,450	-	2,492,450	-	-	-	2,492,450
<b>Total program services</b>	<b>10,105,623</b>	<b>-</b>	<b>10,105,623</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,105,623</b>
Supporting services							
Management and general	1,862,890	-	1,862,890	-	-	-	1,862,890
Fundraising	731,680	-	731,680	-	-	-	731,680
<b>Total supporting services</b>	<b>2,594,570</b>	<b>-</b>	<b>2,594,570</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,594,570</b>
<b>Total expenses</b>	<b>12,700,193</b>	<b>-</b>	<b>12,700,193</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,700,193</b>
<b>Change in net assets before nonoperating changes</b>	<b>5,885,736</b>	<b>3,707</b>	<b>5,889,443</b>	<b>(156,606)</b>	<b>(132,366)</b>	<b>(288,972)</b>	<b>5,600,471</b>
Nonoperating revenues							
Net realized/unrealized gain on investments	260,496	210,574	471,070	-	281,273	281,273	752,343
Interest and dividends	59,802	59,275	119,077	-	79,176	79,176	198,253
<b>Total nonoperating revenues</b>	<b>320,298</b>	<b>269,849</b>	<b>590,147</b>	<b>-</b>	<b>360,449</b>	<b>360,449</b>	<b>950,596</b>
<b>Change in net assets</b>	<b>6,206,034</b>	<b>273,556</b>	<b>6,479,590</b>	<b>(156,606)</b>	<b>228,083</b>	<b>71,477</b>	<b>6,551,067</b>
Net assets, beginning of year	13,989,791	1,777,567	15,767,358	1,155,055	3,531,116	4,686,171	20,453,529
<b>Net assets, end of year</b>	<b>\$ 20,195,825</b>	<b>\$ 2,051,123</b>	<b>\$ 22,246,948</b>	<b>\$ 998,449</b>	<b>\$ 3,759,199</b>	<b>\$ 4,757,648</b>	<b>\$ 27,004,596</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			Total
	SBHC	SBHJB	Total	SBHC	SBHJB	Total	
<b>Support and revenues</b>							
Contributions	\$ 7,003,370	\$ -	\$ 7,003,370	\$ 528,556	\$ 44,722	\$ 573,278	\$ 7,576,648
Program income - mental health clinic	2,270,867	-	2,270,867	-	-	-	2,270,867
Special events, net of direct expenses of \$903,298	1,657,300	-	1,657,300	-	-	-	1,657,300
Grant revenue	1,808,644	-	1,808,644	-	-	-	1,808,644
Rental income	124,143	-	124,143	-	-	-	124,143
In-kind contributions - food and clothing	222,706	-	222,706	-	-	-	222,706
Other income	99,323	-	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	13,759,631
Grant from SBHJB to SBHC	242,374	(242,374)	-	-	-	-	-
<b>Total support and revenues</b>	<b>13,473,027</b>	<b>(38,818)</b>	<b>13,434,209</b>	<b>484,256</b>	<b>(158,834)</b>	<b>325,422</b>	<b>13,759,631</b>
<b>Expenses</b>							
Program services							
Client services	4,688,636	-	4,688,636	-	-	-	4,688,636
Career services network	868,672	-	868,672	-	-	-	868,672
Clothing and food	341,092	-	341,092	-	-	-	341,092
Family services	292,803	-	292,803	-	-	-	292,803
Senior services	521,335	-	521,335	-	-	-	521,335
Medical	213,002	-	213,002	-	-	-	213,002
Volunteer	267,671	-	267,671	-	-	-	267,671
Mental health services	2,377,522	-	2,377,522	-	-	-	2,377,522
<b>Total program services</b>	<b>9,570,733</b>	<b>-</b>	<b>9,570,733</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9,570,733</b>
Supporting services							
Management and general	1,409,362	-	1,409,362	-	-	-	1,409,362
Fundraising	634,290	-	634,290	-	-	-	634,290
<b>Total supporting services</b>	<b>2,043,652</b>	<b>-</b>	<b>2,043,652</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,043,652</b>
<b>Total expenses</b>	<b>11,614,385</b>	<b>-</b>	<b>11,614,385</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,614,385</b>
<b>Change in net assets before nonoperating changes</b>	<b>1,858,642</b>	<b>(38,818)</b>	<b>1,819,824</b>	<b>484,256</b>	<b>(158,834)</b>	<b>325,422</b>	<b>2,145,246</b>
Nonoperating revenues							
Net realized/unrealized gain on investments	164,046	177,569	341,615	-	263,159	263,159	604,774
Interest and dividends	50,351	39,956	90,307	-	59,216	59,216	149,523
<b>Total nonoperating revenues</b>	<b>214,397</b>	<b>217,525</b>	<b>431,922</b>	<b>-</b>	<b>322,375</b>	<b>322,375</b>	<b>754,297</b>
<b>Change in net assets</b>	<b>2,073,039</b>	<b>178,707</b>	<b>2,251,746</b>	<b>484,256</b>	<b>163,541</b>	<b>647,797</b>	<b>2,899,543</b>
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
<b>Net assets, end of year</b>	<b>\$ 13,989,791</b>	<b>\$ 1,777,567</b>	<b>\$ 15,767,358</b>	<b>\$ 1,155,055</b>	<b>\$ 3,531,116</b>	<b>\$ 4,686,171</b>	<b>\$ 20,453,529</b>

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2021**

	Program Services										Supporting Services				Total Expenses	
	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	Special Events		Total
<b>Personnel expenses</b>																
Salaries	\$ 1,193,451	\$ 236,849	\$ 1,430,300	\$ 646,845	\$ 69,703	\$ 283,150	\$ 387,470	\$ 153,618	\$ 165,671	\$ 1,416,866	\$ 4,553,623	\$ 790,238	\$ 267,335	\$ -	\$ 1,057,573	\$ 5,611,196
Payroll taxes and benefits	153,526	29,078	182,604	103,435	8,469	36,150	40,092	16,434	28,853	194,210	610,247	101,758	24,031	-	125,789	736,036
Total personnel expenses	1,346,977	265,927	1,612,904	750,280	78,172	319,300	427,562	170,052	194,524	1,611,076	5,163,870	891,996	291,366	\$ -	1,183,362	6,347,232
<b>Other expenses</b>																
Financial assistance	81,995	7,417	89,412	-	-	-	-	-	-	-	89,412	-	-	-	-	89,412
Clients' rent	379,804	107,780	487,584	-	-	-	-	-	-	-	487,584	-	-	-	-	487,584
Food (including in-kind food of \$75,722)	313,781	92,443	406,224	356	206,356	474	10,399	1,810	18,719	398	644,736	2,617	9,168	-	11,785	656,521
Medical and homecare services	121,728	19,592	141,320	-	-	-	-	-	-	-	141,320	-	-	-	-	141,320
Camp scholarships	5,700	-	5,700	-	-	-	-	-	-	-	5,700	-	-	-	-	5,700
Tutoring and educational aid	17,262	1,000	18,262	-	-	-	-	-	-	-	18,262	-	-	-	-	18,262
Holiday programs	219,450	72,612	292,062	-	-	-	-	-	-	-	292,062	-	-	-	-	292,062
Child care	20,320	17,126	37,446	-	-	-	-	-	-	-	37,446	-	-	-	-	37,446
Clients' utilities	99,015	13,765	112,780	-	-	-	241	-	-	-	113,021	-	-	-	-	113,021
Flowers and gifts	31,694	3,025	34,719	-	-	-	-	-	-	-	34,719	-	-	-	-	34,719
Clothing (including in-kind clothing of \$23,000)	4,470	-	4,470	-	50,842	-	-	-	-	-	55,312	-	-	-	-	55,312
Grant expense	51,050	-	51,050	-	-	-	-	142,783	-	-	193,833	-	-	-	-	193,833
Professional fees	80,327	15,328	95,655	89,767	1,752	15,150	14,148	43,363	7,129	534,390	801,354	369,620	46,936	-	416,556	1,217,910
Occupancy	91,047	39,360	130,407	66,477	6,284	21,582	28,900	11,494	13,349	111,128	389,621	119,619	106,403	98,435	324,457	714,078
Printing and postage	11,087	27	11,114	-	-	-	-	-	-	77	11,191	9,264	981	33,467	43,712	54,903
Repairs and maintenance	39,757	33,327	73,084	18,076	950	-	-	1,418	-	6,121	99,649	56,869	-	-	56,869	156,518
Bank and credit card charges	-	591	591	-	-	-	-	-	616	-	1,207	16,180	116,553	-	132,733	133,940
Telephone	22,170	4,377	26,547	12,349	1,287	5,255	7,037	2,799	3,202	26,516	84,992	14,680	4,795	-	19,475	104,467
Computer and software expenses	54,743	288	55,031	22,733	-	-	-	31,524	3,200	54,980	167,468	27,780	15,328	-	43,108	210,576
Travel and meetings	1,018	460	1,478	-	2,141	180	6,708	2,724	315	13	13,559	11,164	235	-	11,399	24,958
Advertising	369	402	771	-	-	4,746	2,635	760	74	326	9,312	13,171	44,815	-	57,986	67,298
Security	2,600	3,874	6,474	-	-	-	-	1,200	-	-	7,674	-	-	-	-	7,674
Supplies	5,821	6,072	11,893	11,705	22,339	1,840	4,835	1,862	24,932	3,109	82,515	95,560	21,047	253,237	369,844	452,359
Insurance	22,731	4,488	27,219	12,662	1,319	5,388	7,215	2,870	3,283	27,188	87,144	41,782	4,918	-	46,700	133,844
Depreciation and amortization	95,262	18,807	114,069	53,062	5,529	22,582	30,238	12,027	13,757	113,940	365,204	63,085	20,604	-	83,689	448,893
Hall, catering and entertainment	-	-	-	-	-	-	-	-	-	-	-	-	-	350,805	350,805	350,805
Gifts and prizes (including in-kind jewelry of \$684,935)	265	3,637	3,902	1,500	300	450	684,935	1,845	2,189	-	695,121	2,089	25,844	159,289	187,222	882,343
Bad debts	-	-	-	-	-	-	-	-	-	-	-	116,029	-	-	116,029	116,029
Miscellaneous expenses	1,988	2,151	4,139	600	-	1,040	1,295	780	1,293	3,188	12,335	11,385	22,687	-	34,072	46,407
Total other expenses	1,775,454	467,949	2,243,403	289,287	299,099	78,687	798,586	259,259	92,058	881,374	4,941,753	970,894	440,314	895,233	2,306,441	7,248,194
Total expenses by function	3,122,431	733,876	3,856,307	1,039,567	377,271	397,987	1,226,148	429,311	286,582	2,492,450	10,105,623	1,862,890	731,680	895,233	3,489,803	13,595,426
Less: Direct cost of special events	-	-	-	-	-	-	-	-	-	-	-	-	-	(895,233)	(895,233)	(895,233)
<b>Total expenses</b>	\$ 3,122,431	\$ 733,876	\$ 3,856,307	\$ 1,039,567	\$ 377,271	\$ 397,987	\$ 1,226,148	\$ 429,311	\$ 286,582	\$ 2,492,450	\$ 10,105,623	\$ 1,862,890	\$ 731,680	\$ -	\$ 2,594,570	\$ 12,700,193

See notes to consolidated financial statements.



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

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED DECEMBER 31, 2020**

	Program Services											Supporting Services				Total Expenses
	Client Services			Career Services Network	Clothing and Food	Family Services	Senior Services	Medical	Volunteer	Mental Health Services	Total	Management and General	Fund Raising	Special Events	Total	
	Brooklyn Branch	Jersey Shore Branch	Total													
<b>Personnel expenses</b>																
Salaries	\$ 1,332,288	\$ 327,642	\$ 1,659,930	\$ 604,816	\$ 89,110	\$ 214,865	\$ 369,300	\$ 94,786	\$ 178,043	\$ 985,447	\$ 4,196,297	\$ 664,088	\$ 293,012	\$ -	\$ 957,100	\$ 5,153,397
Payroll taxes and benefits	161,950	41,987	203,937	90,936	15,347	20,359	40,752	9,990	29,847	149,620	560,788	72,843	26,698	-	99,541	660,329
Total personnel expenses	1,494,238	369,629	1,863,867	695,752	104,457	235,224	410,052	104,776	207,890	1,135,067	4,757,085	736,931	319,710	-	1,056,641	5,813,726
<b>Other expenses</b>																
Financial assistance	149,274	34,531	183,805	-	-	-	150	-	-	-	183,955	-	-	-	-	183,955
Clients' rent	567,084	170,291	737,375	-	-	-	-	-	-	-	737,375	-	-	-	-	737,375
Food (including in-kind food of \$94,556)	534,517	115,659	650,176	-	182,107	1,255	3,778	-	4,136	176	841,628	18,396	680	-	19,076	860,704
Medical and homecare services	73,205	21,401	94,606	-	-	-	2,024	750	-	-	97,380	-	-	-	-	97,380
Camp scholarships	1,500	4,000	5,500	-	-	-	-	-	-	-	5,500	-	-	-	-	5,500
Tutoring and educational aid	9,013	-	9,013	-	-	-	-	-	-	-	9,013	-	-	-	-	9,013
Holiday programs	142,169	51,173	193,342	-	-	-	-	-	-	-	193,342	-	-	-	-	193,342
Child care	12,003	3,077	15,080	-	-	-	-	-	-	-	15,080	-	-	-	-	15,080
Clients' utilities	112,454	39,687	152,141	-	-	-	733	-	-	-	152,874	-	-	-	-	152,874
Flowers and gifts	10,059	15,741	25,800	-	-	-	-	-	-	-	25,800	-	-	-	-	25,800
Clothing (including in-kind clothing of \$128,150)	148,754	3,107	151,861	-	16,140	-	-	-	1,241	-	169,242	-	-	-	-	169,242
Grant expense	44,000	-	44,000	-	-	-	-	80,000	-	-	124,000	-	-	-	-	124,000
Professional fees	44,962	20,460	65,422	32,601	2,191	5,871	11,075	2,310	5,161	882,953	1,007,584	163,291	21,148	39,238	223,677	1,231,261
Occupancy	87,081	74,857	161,938	39,919	7,995	13,496	23,527	6,012	11,928	150,589	415,404	69,319	97,434	45,162	211,915	627,319
Printing and postage	6,782	123	6,905	-	-	-	-	58	-	36	6,999	9,690	69	-	9,759	16,758
Repairs and maintenance	-	22,997	22,997	-	233	-	2,400	-	387	33,473	59,490	50,239	3,545	-	53,784	113,274
Bank and credit card charges	-	29	29	-	-	-	-	-	-	-	29	11,045	102,796	-	113,841	113,870
Telephone	30,713	7,598	38,311	14,301	2,147	4,835	8,428	2,154	4,273	23,331	97,780	15,147	6,572	-	21,719	119,499
Computer and software expenses	49,311	19,772	69,083	16,861	3,447	7,763	13,532	3,458	5,461	37,459	157,064	24,245	5,624	4,927	34,796	191,860
Travel and meetings	1,684	421	2,105	26	-	2,420	1,421	-	176	1,004	7,152	1,808	267	360,057	362,132	369,284
Advertising	-	2,453	2,453	-	-	50	656	3,398	-	2,503	9,060	6,283	31,133	14,143	51,559	60,619
Security	-	2,620	2,620	-	109	-	-	-	-	-	2,729	9,234	-	-	9,234	11,963
Supplies	6,510	7,299	13,809	4,666	12,110	74	4,362	-	6,869	2,493	44,383	47,137	8,054	32,386	87,577	131,960
Insurance	26,914	6,658	33,572	12,532	1,881	4,237	7,386	1,887	3,744	20,445	85,684	13,273	5,758	-	19,031	104,715
Depreciation and amortization	110,646	27,370	138,016	51,519	7,735	17,418	30,364	7,758	15,394	84,050	352,254	54,569	23,675	-	78,244	430,498
Hall, catering and entertainment	-	99	99	-	-	-	-	-	-	-	99	-	-	322,013	322,013	322,112
Gifts and prizes	-	224	224	495	540	160	422	-	1,011	613	3,465	442	-	85,372	85,814	89,279
Bad debts	-	-	-	-	-	-	-	-	-	-	-	117,722	-	-	117,722	117,722
Miscellaneous expenses	2,112	2,375	4,487	-	-	-	1,025	441	-	3,330	9,283	60,591	7,825	-	68,416	77,699
Total other expenses	2,170,747	654,022	2,824,769	172,920	236,635	57,579	111,283	108,226	59,781	1,242,455	4,813,648	672,431	314,580	903,298	1,890,309	6,703,957
Total expenses by function	3,664,985	1,023,651	4,688,636	868,672	341,092	292,803	521,335	213,002	267,671	2,377,522	9,570,733	1,409,362	634,290	903,298	2,946,950	12,517,683
Less: Direct cost of special events	-	-	-	-	-	-	-	-	-	-	-	-	-	(903,298)	(903,298)	(903,298)
<b>Total expenses</b>	\$ 3,664,985	\$ 1,023,651	\$ 4,688,636	\$ 868,672	\$ 341,092	\$ 292,803	\$ 521,335	\$ 213,002	\$ 267,671	\$ 2,377,522	\$ 9,570,733	\$ 1,409,362	\$ 634,290	\$ -0-	\$ 2,043,652	\$ 11,614,385

See notes to consolidated financial statements.

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

**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Year Ended December 31,	
	2021	2020
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 6,551,067	\$ 2,899,543
Adjustments to reconcile change in net assets to net cash provided by operating activities		
PPP loan forgiveness	(2,199,430)	-
Depreciation and amortization	448,893	430,498
Provision for doubtful accounts	116,029	117,722
Realized/unrealized gain on investments	(752,343)	(604,774)
Changes in assets and liabilities		
Accounts receivable	43,598	12,453
Contributions receivable	(632,277)	(148,676)
Grants receivable	216,110	(390,387)
Employee retention credit receivable	(1,041,015)	-
Prepaid expenses	(65,179)	(49,336)
Other assets	(5,500)	(1,250)
Accounts payable and accrued expenses	303,780	59,713
Accrued payroll and related liabilities	42,782	(270,090)
Deferred income	780,552	(242,178)
Net cash provided by operating activities	3,807,067	1,813,238
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(1,736,057)	(157,246)
Purchases of investments	(3,717,916)	(2,100,699)
Proceeds from sales of investments	1,661,049	1,977,615
Net cash used in investing activities	(3,792,924)	(280,330)
<b>Cash flows from financing activity</b>		
Proceeds from PPP loan	1,065,507	1,113,845
Net increase in cash and cash equivalents	1,079,650	2,646,753
Cash and cash equivalents, beginning of year	4,330,955	1,684,202
Cash and cash equivalents, end of year	\$ 5,410,605	\$ 4,330,955
<b>Noncash investing activities</b>		
Disposal of fully depreciated furniture and equipment	\$ 118,018	\$ -
Acquisition of property and equipment included in accounts payable	141,033	-

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 (“IRC”) 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 IRC 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 consolidated financial statements 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; and
- 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, 2021 and 2020.

##### **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 \$1,068,006 and \$951,977 as of December 31, 2021 and 2020, 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, 2021 and 2020.

##### **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, clothing and jewelry 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, 2021 and 2020, the Organization received in-kind contributions of \$783,657 and \$222,706, 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 November 2, 2022. 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, 2021 and 2020, 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,	
	2021	2020
Cash and cash equivalents	\$ 5,410,605	\$ 4,330,955
Investments	10,331,282	7,522,072
Accounts receivable	204,366	247,964
Contributions receivable, net	2,754,200	2,237,952
Grants receivable	905,381	1,121,491
Employee retention credit receivable	1,041,015	-
<b>Total financial assets</b>	<b>20,646,849</b>	<b>15,460,434</b>
Less: Contributions receivable due after one year (Note 5)	(458,000)	(216,666)
Less: Donor-restricted endowment (Note 9)	(3,759,199)	(3,531,116)
<b>Total financial assets available for general expenditure within one year</b>	<b>\$ 16,429,650</b>	<b>\$ 11,712,652</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).



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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**4 - INVESTMENTS**

The following table represents the Organization's investments measured at fair value on a recurring basis at December 31, 2021 and 2020:

December 31, 2021	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 8,097,880	\$ -	\$ -	\$ 8,097,880
Common stocks	1,672,772	-	-	1,672,772
Preferred stocks	51,070	-	-	51,070
Fixed income	374,556	-	-	374,556
Cash and cash equivalents	135,004	-	-	135,004
	\$ 10,331,282	\$ -0-	\$ -0-	\$ 10,331,282

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
	\$ 7,522,072	\$ -0-	\$ -0-	\$ 7,522,072

**5 - CONTRIBUTIONS RECEIVABLE, NET**

Contributions receivable, net are those amounts pledged but not yet paid to SBH. At December 31, 2021, contributions receivable, net are due as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Past Due	\$ 2,889,540	\$ 72,000	\$ 2,961,540
2022	-	402,666	402,666
2023	-	186,000	186,000
2024	-	186,000	186,000
2025	-	86,000	86,000
	2,889,540	932,666	3,822,206
Less: Allowance for uncollectible contributions	(1,068,006)	-	(1,068,006)
	\$ 1,821,534	\$ 932,666	\$ 2,754,200

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**5 - CONTRIBUTIONS RECEIVABLE, NET (Continued)**

At December 31, 2020, contributions receivable, net 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
	2,638,373	551,556	3,189,929
Less: Allowance for uncollectible contributions	(951,977)	-	(951,977)
	\$ 1,686,396	\$ 551,556	\$ 2,237,952

**6 - PROPERTY AND EQUIPMENT**

Property and equipment consisted of the following at December 31, 2021 and 2020:

	2021	2020	
Land	\$ 356,534	\$ 356,534	
Building and improvements	11,454,351	11,443,200	31.5 years
Leasehold improvements	170,658	170,658	10 years
Furniture and equipment	460,257	513,829	5 - 10 years
Vehicles	37,723	37,723	5 years
Construction in progress	1,947,784	146,291	
	14,427,307	12,668,235	
Less - Accumulated depreciation and amortization	(6,613,882)	(6,283,007)	
	\$ 7,813,425	\$ 6,385,228	

Depreciation and amortization expense was \$448,893 and \$430,498 for the years ended December 31, 2021 and 2020, respectively.

Construction in progress pertains to renovations of a property the Organization is in the process of purchasing (see Note 10). The renovated space will primarily be used for career and senior services, and also as a fertility clinic. Total costs are expected to be approximately \$4,000,000 and construction is expected to be completed in December 2022.

## SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

#### 7 - PPP LOAN PAYABLE AND FORGIVENESS

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 accrued interest at a fixed rate of 1.0% per annum, with the first six months of interest deferred, had a term of two years, and was unsecured and guaranteed by the SBA. Under the terms of the PPP Loan, up to 100% of the principal and accrued interest may be forgiven if certain criteria are met and the loan proceeds are used for qualifying expenses such as payroll costs, benefits, rent, and utilities as described in the CARES Act. The balance of the loan at December 31, 2020, was \$1,113,845. Interest expense for the year ended December 31, 2020, was \$7,608 and was included in accrued interest payable at December 31, 2020. Interest expense for the year ended December 31, 2021, was \$6,284. On July 23, 2021, the loan principal balance of \$1,113,845 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 accrued interest at a fixed rate of 1.0% per annum, had a term of five years, and was unsecured and guaranteed by the SBA. Interest expense on the second-draw loan for the year ended December 31, 2021, was \$6,186. On August 20, 2021, the loan principal balance of \$1,065,507 and accrued interest of \$6,186 were fully forgiven and there is no amount due to the lender.

The total amount forgiven for both loans, including principal and accrued interest, was \$2,199,430, and is included in the consolidated statement of activities for the year ending December 31, 2021, under FASB ASC 450.

#### 8 - NET ASSETS WITH DONOR RESTRICTIONS

The following summarizes the changes in net assets with donor restrictions for the years ended December 31, 2021 and 2020:

Program	Balance, January 1, 2021	Contributions/ Investment Income	Released from Restrictions	Balance December 31, 2021
Sephardic hospital fund	\$ 626,499	\$ -	\$ (488,716)	\$ 137,783
Time restrictions	528,556	644,000	(311,890)	860,666
Endowment	3,531,116	440,509	(212,426)	3,759,199
Total	\$ 4,686,171	\$ 1,084,509	\$ (1,013,032)	\$ 4,757,648

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**8 - NET ASSETS WITH DONOR RESTRICTIONS (Continued)**

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>

**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.

**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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**9 - ENDOWMENT (Continued)**

**Net Asset Composition by Fund Type**

The endowment net asset composition of \$3,759,199 and \$3,531,116 as of December 31, 2021 and 2020, 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 Years Ended December 31, 2021 and 2020, respectively:

Endowment net assets as of January 1, 2021	\$	3,531,116
Contributions		80,060
Net realized/unrealized gain on investments		281,273
Interest and dividends		79,176
Appropriated for expenditures		(212,426)
<u>Endowment net assets as of December 31, 2021</u>	<u>\$</u>	<u>3,759,199</u>
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)
<u>Endowment net assets as of December 31, 2020</u>	<u>\$</u>	<u>3,531,116</u>

**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, 2021, are approximately as follows:

2022	\$	221,000
2023		227,000
2024		233,000
2025		239,000
2026		245,000
Thereafter		1,952,000
		<u>\$ 3,117,000</u>

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

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

#### **10 - COMMITMENTS AND CONTINGENCIES (Continued)**

##### **Lease Arrangements (Continued)**

The above lease arrangements pertain to 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.

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, 2021 and 2020.

#### **12 - RISKS AND UNCERTAINTIES**

SBH's operations may be affected by the 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**13 - CARES ACT**

As a result of COVID-19, on March 27, 2020, the CARES Act was signed into law. Two provisions of the CARES Act have assisted the Organization's liquidity position - the Paycheck Protection Program (see Note 7) and the employee retention credit.

The employee retention credit provides employers a refundable federal tax credit equal to 50% of the first \$10,000 for calendar year 2020 and 70% of the first \$10,000 for each quarter in calendar year 2021 of qualified wages and benefits paid to employees. Contributions to qualified medical plans also constitute creditable amounts. The credit is available to offset all federal employment withholdings owed in a particular quarter including both the employer and employee share of social security, Medicare taxes and withholdings for federal income taxes. To the extent that the credit exceeds employment withholdings, the employer may request a refund of prior taxes paid. The Organization determined that the conditions to qualify for the employee retention credit have been substantially met during the third and fourth calendar quarters of 2020, and the first calendar quarter of 2021. The Organization recorded income for the employee retention credits totaling \$1,041,015 for the year ended December 31, 2021. As of December 31, 2021, an employee retention credit receivable of \$1,041,015 is included on the consolidated statements of financial position.