

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

CONTENTS

Independent Auditors' Report	1-3
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Consolidated Financial Statements

Statements of Financial Position with Consolidating Information	4
Statements of Activities with Consolidating Information	5-8
Statements of Functional Expenses	9-10
Statements of Cash Flows.....	11

Notes to Consolidated Financial Statements	12-26
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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the consolidated financial statements of SBH Community Service Network, Inc. and Affiliate (the "Organization"), which comprise the consolidated statement of financial position with consolidating information as of December 31, 2022, and the related consolidated statements of activities with consolidating information, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Organization as of December 31, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the 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.

Auditors' Responsibilities for the Audit of the 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 the Organization'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.

Prior Period Financial Statements

The consolidated financial statements of SBH Community Service Network, Inc. as of and for the year ended December 31, 2021, were audited by Friedman LLP whose practice was combined with Marcum LLP as of September 1, 2022, and whose report dated November 2, 2022, expressed an unmodified opinion on those statements.

Marcum LLP

New York, NY
November 8, 2023

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION WITH CONSOLIDATING INFORMATION

DECEMBER 31, 2022 AND 2021

	December 31, 2022			December 31, 2021		
	SBHC	SBHJB	Total	SBHC	SBHJB	Total
Assets						
Cash and cash equivalents	\$ 3,131,294	\$ --	\$ 3,131,294	\$ 5,410,605	\$ --	\$ 5,410,605
Investments	3,853,600	4,876,737	8,730,337	4,592,960	5,738,322	10,331,282
Accounts receivable	64,326	--	64,326	204,366	--	204,366
Contributions receivable - net	5,175,363	46,000	5,221,363	2,682,200	72,000	2,754,200
Grants receivable	300,191	--	300,191	905,381	--	905,381
Employee retention credit receivable	1,041,015	--	1,041,015	1,041,015	--	1,041,015
Prepaid expenses	26,250	--	26,250	169,376	--	169,376
Other assets	41,821	--	41,821	19,645	--	19,645
Property and equipment - at cost, less accumulated depreciation and amortization	9,116,612	--	9,116,612	7,813,425	--	7,813,425
Total Assets	\$ 22,750,472	\$ 4,922,737	\$ 27,673,209	\$ 22,838,973	\$ 5,810,322	\$ 28,649,295
Liabilities and Net Assets						
Liabilities						
Accounts payable and accrued expenses	\$ 185,952	\$ --	\$ 185,952	\$ 637,395	\$ --	\$ 637,395
Accrued payroll and related liabilities	289,331	--	289,331	199,240	--	199,240
Deferred income	6,595	--	6,595	808,064	--	808,064
Total Liabilities	481,878	--	481,878	1,644,699	--	1,644,699
Commitments and Contingencies						
Net Assets						
Without donor restrictions	20,402,941	1,612,650	22,015,591	20,195,825	2,051,123	22,246,948
With donor restrictions	1,865,653	3,310,087	5,175,740	998,449	3,759,199	4,757,648
Total Net Assets	22,268,594	4,922,737	27,191,331	21,194,274	5,810,322	27,004,596
Total Liabilities and Net Assets	\$ 22,750,472	\$ 4,922,737	\$ 27,673,209	\$ 22,838,973	\$ 5,810,322	\$ 28,649,295

The accompanying notes are an integral part of these consolidated financial statements.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES WITH CONSOLIDATING INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions			With Donor Restrictions			Total
	SBHC	SBHJB	Total	SBHC	SBHJB	Total	
Support and Revenues							
Contributions	\$ 6,898,322	\$ --	\$ 6,898,322	\$ 1,399,870	\$ 327,635	\$ 1,727,505	\$ 8,625,827
Program income - mental health clinic	1,835,058	--	1,835,058	--	--	--	1,835,058
Special events, net of direct donor benefits of \$1,998,853	3,694,289	--	3,694,289	--	--	--	3,694,289
Grant revenue	1,430,860	--	1,430,860	--	--	--	1,430,860
Rental income	128,800	--	128,800	--	--	--	128,800
Other income	457,650	--	457,650	--	--	--	457,650
Net assets released from restrictions	532,666	233,612	766,278	(532,666)	(233,612)	(766,278)	--
	14,977,645	233,612	15,211,257	867,204	94,023	961,227	16,172,484
Grant from SBHJB to SBHC	369,949	(369,949)	--	--	--	--	--
Total Support and Revenues	<u>15,347,594</u>	<u>(136,337)</u>	<u>15,211,257</u>	<u>867,204</u>	<u>94,023</u>	<u>961,227</u>	<u>16,172,484</u>
Expenses							
Program Services							
Client services	4,313,809	--	4,313,809	--	--	--	4,313,809
Career services network	1,115,898	--	1,115,898	--	--	--	1,115,898
Clothing and food	454,702	--	454,702	--	--	--	454,702
Family services	457,686	--	457,686	--	--	--	457,686
Senior services	1,012,207	--	1,012,207	--	--	--	1,012,207
Medical	744,017	--	744,017	--	--	--	744,017
Volunteer	849,836	--	849,836	--	--	--	849,836
Mental health services	2,625,381	--	2,625,381	--	--	--	2,625,381
Total Program Services	<u>\$ 11,573,536</u>	<u>\$ --</u>	<u>\$ 11,573,536</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 11,573,536</u>

The accompanying notes are an integral part of these consolidated financial statements.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES WITH CONSOLIDATING INFORMATION (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2022

	Without Donor Restrictions			With Donor Restrictions			Total
	SBHC	SBHJB	Total	SBHC	SBHJB	Total	
Supporting Services							
Management and general	\$ 2,120,687	\$ --	\$ 2,120,687	\$ --	\$ --	\$ --	\$ 2,120,687
Fundraising	<u>769,697</u>	<u>--</u>	<u>769,697</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>769,697</u>
Total Supporting Services	<u>2,890,384</u>	<u>--</u>	<u>2,890,384</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,890,384</u>
Total Expenses	<u>14,463,920</u>	<u>--</u>	<u>14,463,920</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>14,463,920</u>
Change in Net Assets Before Nonoperating Revenues (Loss)	<u>883,674</u>	<u>(136,337)</u>	<u>747,337</u>	<u>867,204</u>	<u>94,023</u>	<u>961,227</u>	<u>1,708,564</u>
Nonoperating Revenues (Loss)							
Net realized/unrealized loss on investments	(832,095)	(371,596)	(1,203,691)	--	(667,999)	(667,999)	(1,871,690)
Interest and dividends	<u>155,537</u>	<u>69,460</u>	<u>224,997</u>	<u>--</u>	<u>124,864</u>	<u>124,864</u>	<u>349,861</u>
Total Nonoperating Loss	<u>(676,558)</u>	<u>(302,136)</u>	<u>(978,694)</u>	<u>--</u>	<u>(543,135)</u>	<u>(543,135)</u>	<u>(1,521,829)</u>
Change in Net Assets	207,116	(438,473)	(231,357)	867,204	(449,112)	418,092	186,735
Net Assets, Beginning of Year	<u>20,195,825</u>	<u>2,051,123</u>	<u>22,246,948</u>	<u>998,449</u>	<u>3,759,199</u>	<u>4,757,648</u>	<u>27,004,596</u>
Net Assets, End of Year	<u>\$ 20,402,941</u>	<u>\$ 1,612,650</u>	<u>\$ 22,015,591</u>	<u>\$ 1,865,653</u>	<u>\$ 3,310,087</u>	<u>\$ 5,175,740</u>	<u>\$ 27,191,331</u>

The accompanying notes are an integral part of these consolidated financial statements.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES WITH CONSOLIDATING INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions			With Donor Restrictions			Total
	SBHC	SBHJB	Total	SBHC	SBHJB	Total	
Support and Revenues							
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 donor benefits 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)	--	--	--	--	--
Total Support and Revenues	<u>18,585,929</u>	<u>3,707</u>	<u>18,589,636</u>	<u>(156,606)</u>	<u>(132,366)</u>	<u>(288,972)</u>	<u>18,300,664</u>
Expenses							
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
Total Program Services	<u>\$ 10,105,623</u>	<u>\$ --</u>	<u>\$ 10,105,623</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 10,105,623</u>

The accompanying notes are an integral part of these consolidated financial statements.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF ACTIVITIES WITH CONSOLIDATING INFORMATION (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions			With Donor Restrictions			Total
	SBHC	SBHJB	Total	SBHC	SBHJB	Total	
Supporting Services							
Management and general	\$ 1,862,890	\$ --	\$ 1,862,890	\$ --	\$ --	\$ --	\$ 1,862,890
Fundraising	<u>731,680</u>	<u>--</u>	<u>731,680</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>731,680</u>
Total Supporting Services	<u>2,594,570</u>	<u>--</u>	<u>2,594,570</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>2,594,570</u>
Total Expenses	<u>12,700,193</u>	<u>--</u>	<u>12,700,193</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>12,700,193</u>
Change in Net Assets Before Nonoperating Revenues	<u>5,885,736</u>	<u>3,707</u>	<u>5,889,443</u>	<u>(156,606)</u>	<u>(132,366)</u>	<u>(288,972)</u>	<u>5,600,471</u>
Nonoperating Revenues							
Net realized/unrealized gain on investments	260,496	210,574	471,070	--	281,273	281,273	752,343
Interest and dividends	<u>59,802</u>	<u>59,275</u>	<u>119,077</u>	<u>--</u>	<u>79,176</u>	<u>79,176</u>	<u>198,253</u>
Total Nonoperating Revenues	<u>320,298</u>	<u>269,849</u>	<u>590,147</u>	<u>--</u>	<u>360,449</u>	<u>360,449</u>	<u>950,596</u>
Change in Net Assets	6,206,034	273,556	6,479,590	(156,606)	228,083	71,477	6,551,067
Net Assets, Beginning of Year	<u>13,989,791</u>	<u>1,777,567</u>	<u>15,767,358</u>	<u>1,155,055</u>	<u>3,531,116</u>	<u>4,686,171</u>	<u>20,453,529</u>
Net Assets, End of Year	<u>\$ 20,195,825</u>	<u>\$ 2,051,123</u>	<u>\$ 22,246,948</u>	<u>\$ 998,449</u>	<u>\$ 3,759,199</u>	<u>\$ 4,757,648</u>	<u>\$ 27,004,596</u>

The accompanying notes are an integral part of these consolidated financial statements.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services											Supporting Services				Total Expenses
	Client Services			Career Services	Clothing and Food	Family Services	Senior Services	Medical	Volunteer	Mental Health Services	Total	Management and Fundraising		Special Events	Total	
	Brooklyn Branch	Jersey Shore Branch	Total									General	Fundraising			
Personnel Expenses																
Salaries	\$ 1,318,684	\$ 233,766	\$ 1,552,450	\$ 725,506	\$ 160,635	\$ 324,087	\$ 629,060	\$ 369,498	\$ 204,109	\$ 1,719,247	\$ 5,684,592	\$ 761,866	\$ 308,037	\$ --	\$ 1,069,903	\$ 6,754,495
Payroll taxes and benefits	174,925	25,631	200,556	122,908	23,174	42,702	68,645	58,509	34,677	221,791	772,962	105,216	37,435	--	142,651	915,613
Total Personnel Expenses	1,493,609	259,397	1,753,006	848,414	183,809	366,789	697,705	428,007	238,786	1,941,038	6,457,554	867,082	345,472	--	1,212,554	7,670,108
Other Expenses																
Financial assistance	195,657	32,266	227,923	--	--	--	--	147	--	--	228,070	--	--	--	--	228,070
Clients' rent	415,315	238,010	653,325	--	--	--	--	--	--	--	653,325	--	--	--	--	653,325
Food	305,118	103,386	408,504	374	130,555	2,648	62,187	8,578	31,890	2,055	646,791	12,361	1,534	--	13,895	660,686
Medical and homecare services	106,659	33,886	140,545	--	--	--	--	11,290	--	--	151,835	--	--	--	--	151,835
Camp scholarships	21,588	--	21,588	--	--	--	--	--	--	--	21,588	--	--	--	--	21,588
Tutoring and educational aid	11,537	2,800	14,337	--	--	--	--	--	--	--	14,337	--	--	--	--	14,337
Holiday programs	262,449	88,897	351,346	--	--	--	--	--	--	--	351,346	--	--	--	--	351,346
Child care	25,633	4,205	29,838	--	--	--	--	144	--	--	29,982	--	--	--	--	29,982
Clients' utilities	82,632	18,411	101,043	--	--	--	--	--	--	--	101,043	--	--	--	--	101,043
Flowers and gifts	16,021	1,166	17,187	--	--	--	--	2,248	--	--	19,435	--	--	--	--	19,435
Clothing	7,186	366	7,552	--	23,386	--	--	--	--	--	30,938	--	--	--	--	30,938
Grant expense	30,000	--	30,000	--	--	--	--	--	--	--	30,000	34,600	--	--	34,600	64,600
Professional fees	52,678	20,666	73,344	69,444	4,127	19,491	67,527	105,521	9,605	423,641	772,700	534,514	91,019	--	625,533	1,398,233
Occupancy	101,328	86,596	187,924	78,871	68,190	22,656	42,596	62,283	14,915	39,768	517,203	122,438	53,375	336,540	512,353	1,029,556
Printing and postage	2,596	160	2,756	--	--	--	500	--	--	247	3,503	11,025	9,249	68,883	89,157	92,660
Repairs and maintenance	29,318	25,526	54,844	185	1,579	302	28,832	28,535	304	4,473	119,054	51,152	2,682	--	53,834	172,888
Bank and credit card charges	--	--	--	--	--	--	--	--	--	--	--	3,527	146,140	--	149,667	149,667
Telephone	9,961	13,605	23,566	6,630	2,632	3,384	4,888	6,113	2,632	36,145	85,990	34,489	4,561	--	39,050	125,040
Computer and software expenses	3,359	843	4,202	23,308	--	--	300	35,466	5,400	58,245	126,921	96,721	3,190	--	99,911	226,832
Travel and meetings	10,686	325	11,011	154	13,809	4,940	24,854	--	491,608	--	546,376	20,892	1,404	--	22,296	568,672
Advertising	1,754	1,325	3,079	5,904	648	1,605	4,461	7,261	1,145	6,446	30,549	8,115	39,979	--	48,094	78,643
Security	5,756	1,937	7,693	3,267	437	1,429	2,604	1,665	1,159	7,296	25,550	4,150	1,311	--	5,461	31,011
Supplies	18,368	8,722	27,090	6,033	16,118	1,024	17,196	4,520	30,241	10,991	113,213	77,889	26,029	342,096	446,014	559,227
Insurance	26,529	4,646	31,175	15,059	2,012	6,585	12,002	7,675	4,051	33,629	112,188	19,011	6,161	--	25,172	137,360
Depreciation and amortization	96,651	16,926	113,577	54,864	7,332	23,989	43,727	27,961	14,760	59,333	345,543	69,675	22,448	--	92,123	437,666
Hall, catering and entertainment	--	--	--	--	--	--	--	--	--	--	--	--	--	1,109,596	1,109,596	1,109,596
Gifts and prizes	--	--	--	--	--	--	--	--	--	--	--	--	--	141,738	141,738	141,738
Bad debts	--	--	--	--	--	--	--	--	--	--	--	120,994	--	--	120,994	120,994
Miscellaneous expenses	15,653	1,701	17,354	3,391	68	2,844	2,828	6,603	3,340	2,074	38,502	32,052	15,143	--	47,195	85,697
Total Other Expenses	1,854,432	706,371	2,560,803	267,484	270,893	90,897	314,502	316,010	611,050	684,343	5,115,982	1,253,605	424,225	1,998,853	3,676,683	8,792,665
Total Expenses by Function	3,348,041	965,768	4,313,809	1,115,898	454,702	457,686	1,012,207	744,017	849,836	2,625,381	11,573,536	2,120,687	769,697	1,998,853	4,889,237	16,462,773
Less: Direct cost of special events	--	--	--	--	--	--	--	--	--	--	--	--	--	(1,998,853)	(1,998,853)	(1,998,853)
Total Expenses	\$ 3,348,041	\$ 965,768	\$ 4,313,809	\$ 1,115,898	\$ 454,702	\$ 457,686	\$ 1,012,207	\$ 744,017	\$ 849,836	\$ 2,625,381	\$ 11,573,536	\$ 2,120,687	\$ 769,697	\$ --	\$ 2,890,384	\$ 14,463,920

The accompanying notes are an integral part of these consolidated financial statements.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2021

	Program Services											Supporting Services				Total Expenses
	Client Services			Career Services	Clothing and Food	Family Services	Senior Services	Medical	Volunteer	Mental Health Services	Total	Management and Fundraising		Special Events	Total	
	Brooklyn Branch	Jersey Shore Branch	Total									General	Fundraising			
Personnel Expenses																
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	<u>1,346,977</u>	<u>265,927</u>	<u>1,612,904</u>	<u>750,280</u>	<u>78,172</u>	<u>319,300</u>	<u>427,562</u>	<u>170,052</u>	<u>194,524</u>	<u>1,611,076</u>	<u>5,163,870</u>	<u>891,996</u>	<u>291,366</u>	<u>--</u>	<u>1,183,362</u>	<u>6,347,232</u>
Other Expenses																
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	<u>1,775,454</u>	<u>467,949</u>	<u>2,243,403</u>	<u>289,287</u>	<u>299,099</u>	<u>78,687</u>	<u>798,586</u>	<u>259,259</u>	<u>92,058</u>	<u>881,374</u>	<u>4,941,753</u>	<u>970,894</u>	<u>440,314</u>	<u>895,233</u>	<u>2,306,441</u>	<u>7,248,194</u>
Total Expenses by Function	<u>3,122,431</u>	<u>733,876</u>	<u>3,856,307</u>	<u>1,039,567</u>	<u>377,271</u>	<u>397,987</u>	<u>1,226,148</u>	<u>429,311</u>	<u>286,582</u>	<u>2,492,450</u>	<u>10,105,623</u>	<u>1,862,890</u>	<u>731,680</u>	<u>895,233</u>	<u>3,489,803</u>	<u>13,595,426</u>
Less: Direct cost of special events	--	--	--	--	--	--	--	--	--	--	--	--	--	(895,233)	(895,233)	(895,233)
Total Expenses	<u>\$ 3,122,431</u>	<u>\$ 733,876</u>	<u>\$ 3,856,307</u>	<u>\$ 1,039,567</u>	<u>\$ 377,271</u>	<u>\$ 397,987</u>	<u>\$ 1,226,148</u>	<u>\$ 429,311</u>	<u>\$ 286,582</u>	<u>\$ 2,492,450</u>	<u>\$ 10,105,623</u>	<u>\$ 1,862,890</u>	<u>\$ 731,680</u>	<u>\$ --</u>	<u>\$ 2,594,570</u>	<u>\$ 12,700,193</u>

The accompanying notes are an integral part of these consolidated financial statements.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	\$ 186,735	\$ 6,551,067
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
PPP loan forgiveness	--	(2,199,430)
Depreciation and amortization	437,666	448,893
Provision for doubtful accounts	120,994	116,029
Realized/unrealized loss (gain) on investments	1,871,690	(752,343)
Changes in assets and liabilities		
Accounts receivable	140,040	43,598
Contributions receivable	(2,588,157)	(632,277)
Grants receivable	605,190	216,110
Employee retention credit receivable	--	(1,041,015)
Prepaid expenses	143,126	(65,179)
Other assets	(22,176)	(5,500)
Accounts payable and accrued expenses	(451,443)	303,780
Accrued payroll and related liabilities	90,091	42,782
Deferred income	(801,469)	780,552
Net Cash Provided by (Used in) Operating Activities	(267,713)	3,807,067
Cash Flows From Investing Activities		
Acquisition of property and equipment	(1,740,853)	(1,736,057)
Purchases of investments	(2,090,444)	(3,717,916)
Proceeds from sales of investments	1,819,699	1,661,049
Net Cash Used in Investing Activities	(2,011,598)	(3,792,924)
Cash Flows From Financing Activity		
Proceeds from PPP loan	--	1,065,507
Net Increase (Decrease) in Cash and Cash Equivalents	(2,279,311)	1,079,650
Cash and Cash Equivalents, Beginning of Year	5,410,605	4,330,955
Cash and Cash Equivalents, End of Year	\$ 3,131,294	\$ 5,410,605
Noncash Investing Activities		
Disposal of fully depreciated furniture and equipment	\$ --	\$ 118,018
Acquisition of property and equipment included in accounts payable	\$ --	\$ 141,033

The accompanying notes are an integral part of these consolidated financial statements.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING AND PRESENTATION

The Organization adopted Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958) Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU 2020-07 improves financial reporting by providing new presentation and disclosure requirements about contributed nonfinancial assets, including additional disclosure requirements for recognized contributed services. The Organization has adjusted the presentation of these consolidated financial statements accordingly. ASU 2020-07 has been applied retrospectively to all periods presented.

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 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.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

BASIS OF ACCOUNTING AND PRESENTATION (CONTINUED)

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.

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.

INVESTMENTS

Investments are recorded at fair value. 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 OF INVESTMENTS

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.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FAIR VALUE OF INVESTMENTS (CONTINUED)

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.

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

Investments in corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings. Investments in corporate bonds are classified as Level 2 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, 2022 and 2021. Accounts receivable as of December 31, 2022, 2021 and 2020, was \$64,326, \$204,366 and \$247,964, respectively.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$1,189,000 and \$1,068,006 as of December 31, 2022 and 2021, respectively.

GRANTS RECEIVABLE AND GRANT REVENUE

SBH records revenue and receivables for grants from contracting agencies when respective conditions are met 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.

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.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LONG-LIVED ASSETS (CONTINUED)

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, 2022 and 2021.

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

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 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. Deferred income as of December 31, 2022, 2021 and 2020, was \$6,595, \$808,064 and \$27,512, respectively.

RENTAL INCOME

Rental income is recognized on the straight-line basis based on signed, short-term 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 other items of value 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. Fair value is estimated based on the amount that would be received for selling the goods in their principal markets. The Organization did not receive any in-kind contributions during the year ended December 31, 2022. During the year ended December 31, 2021, the Organization received in-kind contributions of food, clothing and jewelry, in the amounts of \$75,722, \$23,000 and \$684,935, respectively. These in-kind contributions did not have any donor-imposed restrictions and were all utilized for programmatic purposes.

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.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

RECLASSIFICATIONS

Certain reclassifications have been made to the prior year consolidated financial statements to conform to the current year presentation. These reclassifications have no effect on previously reported change in net assets.

SUBSEQUENT EVENTS

These consolidated financial statements were approved by management and available for issuance on November 8, 2023. Management has evaluated subsequent events through this date.

NOTE 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.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 3 - LIQUIDITY AND AVAILABILITY OF RESOURCES (CONTINUED)

The following represents the Organization's financial assets at December 31, 2022 and 2021, 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,	
	2022	2021
Cash and cash equivalents	\$ 3,131,294	\$ 5,410,605
Investments	8,730,337	10,331,282
Accounts receivable	64,326	204,366
Contributions receivable, net	5,221,363	2,754,200
Grants receivable	300,191	905,381
Employee retention credit receivable	<u>1,041,015</u>	<u>1,041,015</u>
Total Financial Assets	18,488,526	20,646,849
Less: Contributions receivable due after one year (Note 5)	(1,179,336)	(458,000)
Less: Donor-restricted amounts (Note 8)	<u>(3,310,087)</u>	<u>(3,759,199)</u>
Total Financial Assets Available for General Expenditure Within One Year	<u>\$ 13,999,103</u>	<u>\$ 16,429,650</u>

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

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 4 - INVESTMENTS

The following table represents the Organization's investments measured at fair value on a recurring basis at December 31, 2022 and 2021:

December 31, 2022	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 5,215,637	\$ --	\$ --	\$ 5,215,637
Preferred stocks	87,065	--	--	87,065
Fixed income	--	3,276,859	--	3,276,859
Short-term investments	<u>150,776</u>	<u>--</u>	<u>--</u>	<u>150,776</u>
	<u>\$ 5,453,478</u>	<u>\$ 3,276,859</u>	<u>\$ --</u>	<u>\$ 8,730,337</u>
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
Short-term investments	<u>135,004</u>	<u>--</u>	<u>--</u>	<u>135,004</u>
	<u>\$ 9,956,726</u>	<u>\$ 374,556</u>	<u>\$ --</u>	<u>\$ 10,331,282</u>

NOTE 5 - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable, net are those amounts pledged but not yet paid to SBH. At December 31, 2022, contributions receivable, net are due as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2022	\$ 4,606,493	\$ 46,000	\$ 4,652,493
2023		578,535	578,535
2024	--	548,535	548,535
2025	--	397,200	397,200
2026	--	211,200	211,200
2027	<u>--</u>	<u>22,400</u>	<u>22,400</u>
	4,606,493	1,803,870	6,410,363
Less: Allowance for uncollectible contributions	<u>(1,189,000)</u>	<u>--</u>	<u>(1,189,000)</u>
	<u>\$ 3,417,493</u>	<u>\$ 1,803,870</u>	<u>\$ 5,221,363</u>

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 5 - CONTRIBUTIONS RECEIVABLE, NET (CONTINUED)

At December 31, 2021, contributions receivable, net are due as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
2021	\$ 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

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31, 2022 and 2021:

	2022	2021	
Land	\$ 356,534	\$ 356,534	
Building and improvements	11,474,351	11,454,351	31.5 years
Leasehold improvements	170,658	170,658	10 years
Furniture and equipment	553,305	460,257	5 - 10 years
Vehicles	37,723	37,723	5 years
Construction in progress	3,575,589	1,947,784	
	16,168,160	14,427,307	
Less - Accumulated depreciation and amortization	(7,051,548)	(6,613,882)	
	\$ 9,116,612	\$ 7,813,425	

Depreciation and amortization expense was \$437,666 and \$448,893 for the years ended December 31, 2022 and 2021, respectively.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 6 - PROPERTY AND EQUIPMENT (CONTINUED)

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 2023.

NOTE 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. On July 23, 2021, the loan principal balance of \$1,113,845 and accrued interest of \$13,892 were fully forgiven.

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. On August 20, 2021, the loan principal balance of \$1,065,507 and accrued interest of \$6,186 were fully forgiven.

There was no outstanding balance on PPP Loan payable for the years ending December 31, 2022 and 2021.

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 ended December 31, 2021, under FASB ASC 450.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 8 - NET ASSETS WITH DONOR RESTRICTIONS

The following summarizes the changes in net assets with donor restrictions for the years ended December 31, 2022 and 2021:

Program	Balance, January 1, 2022	Contributions	Investment Income/ Loss	Released from Restrictions	Balance, December 31, 2022
Sephardic hospital fund	\$ 137,783	\$ --	\$ --	\$ (30,000)	\$ 107,783
Time restrictions	860,666	1,399,870	--	(502,666)	1,757,870
Endowment	<u>3,759,199</u>	<u>327,635</u>	<u>(543,135)</u>	<u>(233,612)</u>	<u>3,310,087</u>
Total	<u>\$ 4,757,648</u>	<u>\$ 1,727,505</u>	<u>\$ (543,135)</u>	<u>\$ (766,278)</u>	<u>\$ 5,175,740</u>

Program	Balance, January 1, 2021	Contributions	Investment Income/ Loss	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	<u>3,531,116</u>	<u>80,060</u>	<u>360,449</u>	<u>(212,426)</u>	<u>3,759,199</u>
Total	<u>\$ 4,686,171</u>	<u>\$ 724,060</u>	<u>\$ 360,449</u>	<u>\$(1,013,032)</u>	<u>\$ 4,757,648</u>

NOTE 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%.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 9 - ENDOWMENT (CONTINUED)

INTERPRETATION OF RELEVANT LAW (CONTINUED)

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. The Organization's endowment spending policy also applies to underwater endowments.

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 \$3,310,087 and \$3,759,199 as of December 31, 2022 and 2021, 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, 2022 and 2021, respectively:

Endowment net assets as of January 1, 2022	\$ 3,759,199
Contributions	327,635
Net realized/unrealized loss on investments	(667,999)
Interest and dividends	124,864
Appropriated for expenditures	<u>(233,612)</u>
Endowment Net Assets as of December 31, 2022	<u>\$ 3,310,087</u>
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	<u>(212,426)</u>
Endowment Net Assets as of December 31, 2021	<u>\$ 3,759,199</u>

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 10 - COMMITMENTS AND CONTINGENCIES

LEASE ARRANGEMENTS

The Organization had operating leases for office and program space expiring through 2034. These lease arrangements pertained to space located at 1963 McDonald Avenue in Brooklyn, New York. The terms of the lease agreement included 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. See to Note 13 for additional information.

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.

NOTE 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, 2022 and 2021.

SBH COMMUNITY SERVICE NETWORK, INC. AND AFFILIATE

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

NOTE 12 - 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, 2022 and 2021, an employee retention credit receivable of \$1,041,015 is included on the consolidated statements of financial position.

NOTE 13 - SUBSEQUENT EVENT

On February 28, 2023, the Organization purchased the building described in Note 10 it had previously been leasing. The purchase of the building and related assets, liabilities and costs will be recognized in the consolidated financial statements for the year ended December 31, 2023.