

# **Henry Street Settlement and Affiliates**

Consolidated Financial Statements

June 30, 2021

## **Independent Auditors' Report**

### **Board of Directors Henry Street Settlement and Affiliates**

We have audited the accompanying consolidated financial statements of Henry Street Settlement and Affiliates, which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

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

### ***Auditors' Responsibility***

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

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

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

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Henry Street Settlement and Affiliates as of June 30, 2021, and the consolidated 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.

***Report on Summarized Comparative Information***

We have previously audited Henry Street Settlement and Affiliates' 2020 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 16, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

January 5, 2022

## Henry Street Settlement and Affiliates

Consolidated Statement of Financial Position  
June 30, 2021  
(with comparative amounts at June 30, 2020)

	2021	2020
<b>ASSETS</b>		
Cash (Note 15)	\$ 2,485,035	\$ 2,106,862
Investments (Note 3)	39,538,395	34,123,614
Due from contracting agencies, net (Note 2)	13,257,449	10,426,252
Accounts receivable (Note 2)	648,015	53,615
Deposits, prepaid expenses and other assets	214,466	113,239
Contributions receivable (Note 4)	511,500	980,654
Property and equipment, net (Note 5)	23,803,745	23,640,131
	\$ 80,458,605	\$ 71,444,367
 <b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accrued salaries and related liabilities	\$ 3,160,612	\$ 1,971,366
Accounts and accrued expenses payable	2,262,043	2,572,405
Refundable advances (Note 2)	529,284	532,283
Line of credit (Note 8)	1,300,000	2,800,000
Loans payable (Note 9)	5,200,300	5,770,300
Mortgages payable (Note 10)	7,911,173	7,911,173
Total Liabilities	20,363,412	21,557,527
Net Assets		
Without Donor Restrictions		
Undesignated and plant fund	13,462,819	13,645,397
Board designated fund	6,502,232	5,343,621
Total Without Donor Restrictions	19,965,051	18,989,018
With Donor Restrictions (Note 11)		
Temporary in nature	16,797,668	10,017,687
Permanent in nature	23,332,474	20,880,135
Total With Donor Restrictions	40,130,142	30,897,822
Total Net Assets	60,095,193	49,886,840
	\$ 80,458,605	\$ 71,444,367

See notes to consolidated financial statements

## Henry Street Settlement and Affiliates

### Consolidated Statement of Activities Year Ended June 30, 2021 (with summarized totals for the year ended June 30, 2020)

	Without Donor Restrictions			With Donor Restrictions	Total	
	Undesignated and Plant Fund	Board Designated Fund	Total		2021	2020
<b>REVENUES, GAINS AND OTHER SUPPORT</b>						
Contributions	\$ 2,225,406	\$ -	\$ 2,225,406	\$ 11,079,342	\$ 13,304,748	\$ 8,274,462
Contributions, Capital Campaign	-	-	-	-	-	370,000
Special events, less costs of direct benefit to donors of \$0 and \$156,796	526,841	-	526,841	-	526,841	1,036,000
Legacies and bequests	-	80,612	80,612	-	80,612	259,674
Grants and fees from contracting agencies	32,967,694	-	32,967,694	-	32,967,694	33,851,629
Program service fees	1,997,450	-	1,997,450	-	1,997,450	2,623,035
Realized gains (losses) on sale of investments	-	570,728	570,728	596,862	1,167,590	(149,567)
Unrealized gains (losses) on investments	-	1,936,825	1,936,825	2,954,059	4,890,884	(940,788)
Interest and dividends	5,438	664,135	669,573	782,910	1,452,483	1,020,819
Income distribution (Note 2)	361,268	(361,268)	-	-	-	-
Rental revenue (Note 13)	954,198	-	954,198	-	954,198	1,044,264
Other income	154,440	-	154,440	-	154,440	1,066,837
Net Assets Released from Restrictions (Note 11)						
Satisfaction of program restrictions	5,802,241	(50,128)	5,752,113	(5,752,113)	-	-
Satisfaction of income distribution requirement (Note 2)	428,740	-	428,740	(428,740)	-	-
Total Revenues, Gains and Other Support	<u>45,423,716</u>	<u>2,840,904</u>	<u>48,264,620</u>	<u>9,232,320</u>	<u>57,496,940</u>	<u>48,456,365</u>
<b>EXPENSES</b>						
Program Services						
Shelter and transitional housing	13,580,477	-	13,580,477	-	13,580,477	14,097,338
Health and wellness	14,269,626	-	14,269,626	-	14,269,626	12,586,668
Youth and employment training	11,112,443	-	11,112,443	-	11,112,443	12,028,504
Art center	1,981,523	-	1,981,523	-	1,981,523	2,789,320
Total Program Services	<u>40,944,069</u>	<u>-</u>	<u>40,944,069</u>	<u>-</u>	<u>40,944,069</u>	<u>41,501,830</u>
Supporting Services						
Management and general	5,232,535	-	5,232,535	-	5,232,535	5,351,658
Fundraising	1,111,983	-	1,111,983	-	1,111,983	1,151,195
Total Supporting Services	<u>6,344,518</u>	<u>-</u>	<u>6,344,518</u>	<u>-</u>	<u>6,344,518</u>	<u>6,502,853</u>
Total Expenses	<u>47,288,587</u>	<u>-</u>	<u>47,288,587</u>	<u>-</u>	<u>47,288,587</u>	<u>48,004,683</u>
Change in Net Assets Before Other Changes	<u>(1,864,871)</u>	<u>2,840,904</u>	<u>976,033</u>	<u>9,232,320</u>	<u>10,208,353</u>	<u>451,682</u>
<b>OTHER CHANGES</b>						
Transfer from Board Designated Fund	11,331	(11,331)	-	-	-	-
Transfer to Undesignated and Plant Fund for COVID expenses	1,670,962	(1,670,962)	-	-	-	-
Total Other Changes	<u>1,682,293</u>	<u>(1,682,293)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	<u>(182,578)</u>	<u>1,158,611</u>	<u>976,033</u>	<u>9,232,320</u>	<u>10,208,353</u>	<u>451,682</u>
<b>NET ASSETS</b>						
Beginning of year	<u>13,645,397</u>	<u>5,343,621</u>	<u>18,989,018</u>	<u>30,897,822</u>	<u>49,886,840</u>	<u>49,435,158</u>
End of year	<u>\$ 13,462,819</u>	<u>\$ 6,502,232</u>	<u>\$ 19,965,051</u>	<u>\$ 40,130,142</u>	<u>\$ 60,095,193</u>	<u>\$ 49,886,840</u>

See notes to consolidated financial statements

## Henry Street Settlement and Affiliates

### Consolidated Statement of Functional Expenses Year Ended June 30, 2021 (with summarized totals for the year ended June 30, 2020)

	Program Services					Supporting Services			Total	
	Shelter and Transitional Housing	Health and Wellness	Youth and Employment Training	Art Center	Total	Management and General	Fundraising	Total	2021	2020
Salaries	\$ 5,014,285	\$ 6,311,259	\$ 6,361,105	\$ 830,865	\$ 18,517,514	\$ 3,066,381	\$ 775,077	\$ 3,841,458	\$ 22,358,972	\$ 22,883,810
Payroll taxes and employee benefits	<u>1,514,826</u>	<u>1,721,485</u>	<u>1,777,650</u>	<u>274,656</u>	<u>5,288,617</u>	<u>854,590</u>	<u>214,206</u>	<u>1,068,796</u>	<u>6,357,413</u>	<u>6,073,228</u>
Total Salaries and Related Expenses	6,529,111	8,032,744	8,138,755	1,105,521	23,806,131	3,920,971	989,283	4,910,254	28,716,385	28,957,038
Professional fees and contract service payments	2,216,936	2,010,100	433,609	371,384	5,032,029	520,130	53,433	573,563	5,605,592	5,086,092
Supplies	561,336	338,495	620,917	96,391	1,617,139	201,756	26,622	228,378	1,845,517	2,011,010
Telephone	159,708	272,999	101,365	14,233	548,305	38,727	10,952	49,679	597,984	535,262
Postage and shipping	5,509	17,546	8,306	60,651	92,012	24,047	18,228	42,275	134,287	217,479
Occupancy expense (Note 14)	1,779,198	761,228	715,268	107,990	3,363,684	101,218	2,438	103,656	3,467,340	3,854,879
Equipment purchases and rentals	755,554	191,592	329,315	117,837	1,394,298	188,240	5,608	193,848	1,588,146	1,192,916
Transportation	17,622	90,618	13,402	3,347	124,989	6,128	584	6,712	131,701	289,772
Insurance	429,905	105,023	93,568	33,708	662,204	22,689	1,477	24,166	686,370	522,691
Bank charges and custodial fees	-	1,386	5,512	11,299	18,197	40,117	190	40,307	58,504	196,920
Interest	50,132	-	-	-	50,132	11,331	-	11,331	61,463	491,199
Food	354,215	1,911,395	88,253	1,894	2,355,757	8,328	559	8,887	2,364,644	2,992,763
Stipends	-	356,778	168,686	-	525,464	982	168	1,150	526,614	346,402
Membership fees and conferences	16,943	7,664	40,508	2,045	67,160	75,174	22	75,196	142,356	321,526
Scholarships	-	-	191,670	-	191,670	35,525	-	35,525	227,195	12,500
Depreciation and amortization	704,308	172,058	163,309	55,223	1,094,898	37,172	2,419	39,591	1,134,489	1,015,339
Bad debt expense	-	-	-	-	-	-	-	-	-	117,691
Total Expenses	<u>13,580,477</u>	<u>14,269,626</u>	<u>11,112,443</u>	<u>1,981,523</u>	<u>40,944,069</u>	<u>5,232,535</u>	<u>1,111,983</u>	<u>6,344,518</u>	<u>47,288,587</u>	<u>48,161,479</u>
Less costs with direct benefit to donors	-	-	-	-	-	-	-	-	-	(156,796)
Total Expenses Reported by Function on the Consolidated Statement of Activities	<u>\$ 13,580,477</u>	<u>\$ 14,269,626</u>	<u>\$ 11,112,443</u>	<u>\$ 1,981,523</u>	<u>\$ 40,944,069</u>	<u>\$ 5,232,535</u>	<u>\$ 1,111,983</u>	<u>\$ 6,344,518</u>	<u>\$ 47,288,587</u>	<u>\$ 48,004,683</u>

See notes to consolidated financial statements

## Henry Street Settlement and Affiliates

Consolidated Statement of Cash Flows  
Year Ended June 30, 2021  
(with comparative amounts for the year ended June 30, 2020)

	2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 10,208,353	\$ 451,682
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,134,489	1,015,339
Realized (gains) losses on sale of investments	(1,167,590)	149,567
Unrealized (gains) losses on investments	(4,890,884)	940,788
Loss on disposal of equipment	-	118,785
Bad debt expense	-	117,691
Contributions restricted for investment in endowment	(2,452,339)	-
Changes in operating assets and liabilities		
Due from contracting agencies	(2,831,197)	(282,196)
Accounts receivable	(594,400)	454,937
Deposits, prepaid expenses and other assets	(101,227)	76,337
Contributions receivable	469,154	1,391,638
Accrued salaries and related liabilities	1,189,246	299,629
Accounts and accrued expenses payable	(310,362)	(216,362)
Refundable advances	(2,999)	(1,659,864)
	650,244	2,857,971
Net Cash from Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(9,935,139)	(10,545,221)
Proceeds from sale of investments	10,578,832	8,261,393
Purchase of property and equipment	(1,298,103)	(2,449,059)
	(654,410)	(4,732,887)
Net Cash from Investing Activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from line of credit	1,000,000	850,000
Payments on line of credit	(2,500,000)	(2,803,648)
Payments on loan payable	(570,000)	-
Proceeds from loans	-	5,770,300
Proceeds from contributions restricted for investment in endowment	2,452,339	-
	382,339	3,816,652
Net Cash from Financing Activities		
Net Change in Cash	378,173	1,941,736
<b>CASH</b>		
Beginning of year	2,106,862	165,126
End of year	\$ 2,485,035	\$ 2,106,862
<b>SUPPLEMENTARY CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 11,331	\$ 96,833

See notes to consolidated financial statements

## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements

June 30, 2021

### 1. Nature of Organization and Tax Status

Henry Street Settlement (“Henry Street”) was founded in 1893 on the Lower East Side of Manhattan to help newly arrived immigrants. Today, Henry Street provides a wide range of social services to the people who reside on the Lower East Side of Manhattan and in other communities of New York City through social service, arts, and health programs. Henry Street is supported primarily by grants and fees from contracting agencies and contributions.

Henry Street is the parent company of the following entities, which are consolidated within these financial statements, and are collectively referred to as the Settlement:

- The Second Henry Street Housing Development Fund Corporation (“SHSHDFC”)
- Boys and Girls Republic, Inc. (“BGR”)
- Henry Street Settlement Health Corporation d/b/a Health Unlimited (“HUL”), which was dissolved, and its programs were transferred to Henry Street during 2021.

All of the above companies are not-for-profit corporations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

### 2. Summary of Significant Accounting Policies

#### ***Principles of Consolidation***

In preparing the accompanying consolidated financial statements, all material intercompany account balances and transactions have been eliminated.

#### ***Basis of Presentation and Use of Estimates***

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

#### ***Net Asset Presentation***

*Net Assets Without Donor Restrictions* - Resources are classified for accounting and reporting purposes into net asset classes according to donor imposed restrictions. Net assets without donor restrictions are those whose use is not subject to any donor imposed restrictions. The Board Designated Fund is a component of net assets without donor restrictions and has been created by an action of the Settlement’s Board of Directors. The balance is accumulated from the following sources:



## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2021

### 2. Summary of Significant Accounting Policies (*continued*)

#### ***Net Asset Presentation (continued)***

##### *Net Assets Without Donor Restrictions (continued)*

- Contributions from board members as part of a campaign; legacies and bequests greater than \$5,000; investment income from certain board-designated investments; and portions of realized and unrealized gains and losses on the permanently restricted investments, subject to restrictions by the New York Prudent Management of Institutional Funds Act (“NYPMIFA”).

*Net assets with donor restrictions* - Represent amounts resulting from contributions and other inflows of assets whose use by the Settlement is limited by donor imposed stipulations that will be met either by passage of time or that can be fulfilled and removed by actions of the Settlement pursuant to those stipulations. When a donor restriction expires, that is, when a 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 statement of activities as net assets released from restrictions. Net assets held as endowment in perpetuity are donor restricted gifts that must be maintained permanently by the Settlement to provide present and future income for operations.

#### ***Summarized Financial Information***

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Settlement’s consolidated financial statements as of and for the year ended June 30, 2020, from which the summarized information was derived.

#### ***Fair Value Measurement***

The Settlement follows U.S. GAAP guidance on fair value measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment’s level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2021

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Fair Value Measurement (continued)***

The classification of investments in the fair value hierarchy is not necessarily an indication of the risks, liquidity, or degree of difficulty in estimating the fair value of each investment's underlying assets and liabilities.

Pursuant to U.S. GAAP guidance, alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient are not recognized with the fair value hierarchy.

#### ***Investments Valuation***

Investments are carried at fair value.

Effective July 1, 1999, the Settlement adopted its Statement of Investment Objectives and Guidelines (the "Statement") with the goal for its investment portfolio to maximize long-term total return through a combination of income and capital appreciation in a manner consistent with sound investment practice. The Statement included a distribution policy to provide for a relatively stable source of funds for the Settlement's operations and programs.

Funds are to be distributed at a level amount to be determined annually within a range of up to 4.5% of the portfolio's value. In fiscal years 2021 and 2020, the distribution amount was set at \$790,008 and \$1,121,739, representing approximately 2.1% and 3.6% of the portfolio value. The distribution is allocated between income distribution from the Board Designated Fund and net assets released from restrictions (provided sufficient expenses were incurred to demonstrate that restrictions were satisfied) based on the current value of the funds associated with these investments.

This amount is reflected in the Undesignated and Plant Fund as follows for the years ended June 30:

	<u>2021</u>	<u>2020</u>
Income distribution - Board Designated Fund	\$ 361,268	\$ 600,526
Net assets released from restrictions - satisfaction of income distribution requirement (See Note 11)	<u>428,740</u>	<u>521,213</u>
	<u>\$ 790,008</u>	<u>\$ 1,121,739</u>

#### ***Investment Income Recognition***

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2021

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Due from Contracting Agencies, Accounts Receivable and Allowance for Doubtful Accounts***

The Settlement records revenue and receivables for grants from contracting agencies based on claims for expense reimbursements and program utilization at contracted rates. Revenue is recognized when all measurable barriers are overcome and the right of return no longer exists. Receivables are stated net of an allowance. Receivables are charged to the allowance when they are determined to be uncollectible based upon a periodic review of the accounts by management.

Interest is not accrued or recorded on outstanding accounts receivable. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year end. The allowance for doubtful accounts on due from contracting agencies amounted to \$35,861 and \$35,686 at June 30, 2021 and 2020.

#### ***Contributions Receivable***

Unconditional contributions receivable that are expected to be collected within one year are recorded at net realizable value. Unconditional contributions receivable that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contributions on the consolidated statement of activities. Conditional contributions receivables are not included as support until the conditions are substantially met. There were no conditional contributions receivable at June 30, 2021.

#### ***Property and Equipment***

The Settlement capitalizes all expenditures for its property and equipment in excess of \$5,000 and a useful life of more than five years. Maintenance and repairs of a routine nature are charged to expense, while those that extend the life of existing assets are capitalized. Depreciation is provided over the estimated useful lives of each class of depreciable asset and is computed using the straight-line method. Leasehold improvements are amortized over the lesser of the term of the lease or the estimated useful life of the equipment. The estimated lives by asset class are as follows:

Building, building improvements and leasehold improvements	5-40 years
Furniture and equipment	5-25 years

## **Henry Street Settlement and Affiliates**

Notes to Consolidated Financial Statements  
June 30, 2021

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Impairment of Long-Lived Assets***

Long-lived assets such as property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Settlement records impairment losses on long lived assets used in operations when the undiscounted cash flows estimated to be generated by those assets are less than the carrying amounts of those assets. No impairment charges were recognized during the years ended June 30, 2021 and 2020.

#### ***Conditional Asset Retirement Obligations***

The Settlement accounts for Conditional Asset Retirement Obligations (“CARO”) in accordance with U.S. GAAP, which defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The fair value of the CARO is recorded on a discounted basis and accreted over time for the change in fair value. Management has determined that there are no CARO liabilities that are required to be recorded.

#### ***Refundable Advances***

Refundable advances consist of unspent cash receipts from contracting agencies as well as the cumulative excess of allowable program revenues over allowable program expenses.

#### ***Contributions and Contributions, Capital Campaign***

Transactions are analyzed to determine whether they should be accounted for as exchange transactions or as non-exchange transactions. Transactions where there is no benefit to the donor are recorded as contributions. Unconditional contributions, including promises to give cash and other assets, are reported at fair value at the date the contribution is received. The gifts are reported as with donor restrictions if they are received with donor stipulations that limit the use of the donated assets.

#### ***In-kind Contributions***

Interest expense for mortgages which do not bear interest is recorded as in-kind contributions. The annual estimate of in-kind interest expense is computed by applying the weighted average of the prime rate to average annual mortgage balances.

In-kind contributions and occupancy expense are recorded for space provided to the Settlement for program purposes for which rent is not currently being charged. In-kind transactions are reviewed periodically to ensure that the estimates recorded reasonably reflect the estimated fair value of contributed rent.

## **Henry Street Settlement and Affiliates**

Notes to Consolidated Financial Statements  
June 30, 2021

### **2. Summary of Significant Accounting Policies (continued)**

#### ***Grants and Fees from Contracting Agencies***

The Settlement receives funding for many of its programs through contracts principally entered into with New York State and New York City. Certain governmental revenues are recorded based on estimated expenditures incurred and are subject to audit and adjustment by Medicaid and other regulatory agencies. Third-party reimbursement adjustments are recorded when reasonably determinable. Revenues from fee-for-service and reimbursement contracts with New York State and New York City are recorded at rates established by the governmental payors.

Revenues are recorded based on estimated allowable costs and are subject to audit and adjustment by governmental payors. The effects of such adjustments are recorded when reasonably determinable.

The Settlement receives certain funding for its programs in the form of operational grants, which usually run for a period of one year or longer. The Settlement is required to determine whether transactions are conditional or unconditional. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions are accounted for as a liability and are not recognized as revenue initially and are disclosed in the notes to the consolidated financial statements. Once the barriers to entitlement are overcome, the transaction is recognized as unconditional and classified as either net assets with donor restrictions or net assets without donor restrictions. For a donor-imposed condition to exist, a right of return or release must be stated, and the agreement must include a performance-related condition or other measurable barrier.

#### ***Program Service Fees***

Program service fees are paid by program participants or third-party payors for participation in certain programs of the Settlement.

#### ***Advertising Costs***

Advertising costs are expensed when incurred. Advertising costs for the years ended June 30, 2021 and 2020 were \$39,298 and \$56,243.

#### ***Functional Allocation of Expenses***

The costs of providing programs by the Settlement have been summarized on a functional basis in the accompanying consolidated financial statements. Accordingly, expenses have been charged to program and supporting services as either direct expenses or using other specific allocation ratios based on a time and effort methodology.

## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2021

### 2. Summary of Significant Accounting Policies *(continued)*

#### ***Accounting for Uncertainty in Income Taxes***

The Settlement recognizes the effect of tax positions only when they are more likely than not to be sustained. Management has determined that the Settlement had no uncertain tax positions that would require financial statement recognition or disclosure. The Settlement is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2018.

#### ***Subsequent Events Evaluation by Management***

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which date is January 5, 2022.

### 3. Investments

The Settlement's investments, stated at fair value, are as follows at June 30:

	2021		2020	
	Level 1	Total	Level 1	Total
Short-term investments	\$ 8,638,208	\$ 8,638,208	\$ 7,801,364	\$ 7,801,364
Common and Preferred Stock				
U.S. large cap equity	12,654,482	12,654,482	7,392,228	7,392,228
U.S. mid cap equity	1,181,054	1,181,054	1,373,837	1,373,837
International equity	8,801,082	8,801,082	7,060,223	7,060,223
	22,636,618	22,636,618	15,826,288	15,826,288
Mutual Funds				
Intermediate government	386,160	386,160	377,795	377,795
Real estate and commodities	978,464	978,464	1,051,813	1,051,813
	1,364,624	1,364,624	1,429,608	1,429,608
	\$ 32,639,450	32,639,450	\$ 25,057,260	25,057,260
Certificates of deposit, at cost		1,919,029		3,366,064
Investment in limited partnerships (1)		4,979,916		5,700,290
		\$ 39,538,395		\$ 34,123,614

(1) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

During the years ended June 30, 2021 and 2020, there were no transfers in or out of Levels 1, 2, or 3 of the fair value hierarchy.

## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2021

### 3. Investments *(continued)*

Information regarding alternative investments measured at NAV using the practical expedient are as follows at June 30:

	2021			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long/short hedge funds (a)	\$ 423,775	\$ -	varies	7-70 days
Private equity (b)	4,556,141	3,337,058	N/A	N/A
Total	\$ 4,979,916	\$ 3,337,058		
	2020			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long/short hedge funds (a)	\$ 2,538,151	\$ -	varies	7-70 days
Private equity (b)	3,162,139	2,049,787	N/A	N/A
Total	\$ 5,700,290	\$ 2,049,787		

(a) This category includes investments in hedge funds that invest both long and short, primarily in U.S. common stocks. Management of the hedge funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, and from a net long position to a net short position. The fair values of the investments in this category have been estimated using the net asset value per share of the investments. Investments representing approximately 8 percent of the value of the investments in this category cannot be redeemed because the investments include restrictions that do not allow for redemption in the first 12 to 18 months after acquisition. The remaining restriction period for these investments ranged from 7 to 70 days.

(b) This category includes several private equity funds that invest primarily in foreign technology companies. These investments can never be redeemed with the funds. Instead, the nature of the investments in this category is that distributions are received through the liquidation of the underlying assets of the fund. Management has estimated that the underlying assets of the fund will be liquidated over 10 to 11 years.

#### ***Investment Risks and Uncertainties***

Alternative investments consist of non-traditional, not readily marketable investments, some of which may be structured as limited partnerships. The underlying investments of such funds, whether invested in stock or other securities, are generally not currently traded in a public market and typically are subject to restrictions on resale. Values determined by investment managers and general partners of underlying securities that are thinly traded or not traded in an active market may be based on historical cost, appraisals, a review of the investees' financial results, financial condition and prospects, together with comparisons to similar companies for which quoted market prices are available or other estimates that require varying degrees of judgement.

## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2021

### 3. Investments (continued)

#### *Investment Risks and Uncertainties (continued)*

Because of the inherent uncertainty of valuations, the estimated fair values may differ significantly from the values that would have been used had a ready market for such investments existed or had such investments been liquidated, and those differences could be material.

### 4. Contributions Receivable

Contributions receivable are expected to be collected within one year and total \$511,500 and \$980,654 at June 30, 2021 and 2020. Management determined that there was no need for an allowance for doubtful accounts at June 30, 2021 and 2020. All receivables are expected to be collected in the normal course of business operations.

### 5. Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Land	\$ 716,984	\$ 716,984
Building, building improvements and leasehold improvements	34,470,411	34,447,988
Furniture and equipment	4,903,124	4,745,204
Construction in progress	<u>5,391,110</u>	<u>4,273,350</u>
	45,481,629	44,183,526
Accumulated depreciation and amortization	<u>(21,677,884)</u>	<u>(20,543,395)</u>
	<u>\$ 23,803,745</u>	<u>\$ 23,640,131</u>



## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2021

### 6. Liquidity and Availability of Financial Assets

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use within one year of the consolidated statement of financial position date, are comprised of the following at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Financial assets at year end:		
Cash	\$ 2,485,035	\$ 2,106,862
Investments	39,538,395	34,123,614
Due from contracting agencies, net	13,257,449	10,426,252
Accounts receivable	648,015	53,615
Contributions receivable	<u>511,500</u>	<u>980,654</u>
Total Financial Assets	<u>56,440,394</u>	<u>47,690,997</u>
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	(40,130,142)	(30,897,822)
Board designated fund	(6,502,232)	(5,343,621)
Add: net assets with purpose restrictions expected to be met in less than one year	<u>8,323,466</u>	<u>3,909,493</u>
	<u>(38,308,908)</u>	<u>(32,331,950)</u>
Financial Assets at Year End Available to Meet Cash		
Needs for General Expenditures within One Year	<u>\$ 18,131,486</u>	<u>\$ 15,359,047</u>

The Settlement has a line of credit available to meet cash flow needs in the amount of \$7,000,000. As of June 30, 2021, \$5,700,000 was available for drawdown on this line of credit. The Settlement's Board Designated Fund balance of approximately \$6,500,000 is also available for operations after action by the Board of Directors.

### 7. Pensions

#### (a) Defined Contribution Plan

The Settlement provides a 403(b) defined contribution plan and contributes 5% of base salary for eligible employees. Contributions for the years ended June 30, 2021 and 2020 totaled \$982,473 and \$887,474.

#### (b) Deferred Compensation Plan

The Settlement maintains a 457(b) deferred compensation arrangement for certain employees. Pension expense of \$42,055 was recorded for each of the years ended June 30, 2021 and 2020 in connection with this plan. At June 30, 2021, \$42,055 was payable (and was paid in July 2021), and at June 30, 2020, there was no unfunded balance.

## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2021

### 8. Line of Credit

The Settlement secured a \$7,000,000 line of credit which expires on October 31, 2022. Interest is charged at a rate of London Interbank Offered Rate plus 1%. The outstanding balance due on this line of credit at June 30, 2021 and 2020 was \$1,300,000 and \$2,800,000. Interest expense for the years ended June 30, 2021 and 2020 was \$11,331 and \$96,833. All investment accounts held with J.P. Morgan are identified as specific collateral for this commitment.

### 9. Loans Payable

Balances due to the following organizations are as follows at June 30, 2021 and 2020:

- (a) On May 15, 2020 the Settlement qualified for and received a loan (the "Loan") from Pursuit Lending in the amount of \$5,200,300 pursuant to the Paycheck Protection Program (the "PPP") a program implemented by the U.S. Small Business Administration ("SBA") under the Coronavirus Aid, Relief, and Economic Security Act, which was enacted March 27, 2020. The PPP Loan bore 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. The principal amount of the PPP Loan was subject to forgiveness under the PPP upon the Settlement's request to the extent that the PPP Loan proceeds were used to pay expenses permitted by the PPP, including payroll costs, costs used to continue group health care benefits, covered rent and mortgage obligations, and covered utility payments incurred by the Settlement. The Settlement applied for forgiveness of the PPP Loan with respect to these covered expenses. On October 25, 2021, the SBA forgave the PPP Loan and accrued interest of \$75,226 in full. This will be reflected in the consolidated statement of activities for the year ending June 30, 2022.
- (b) On June 9, 2020 the Settlement qualified for and received an interest free loan (the "Agreement") from the Nonprofit Finance Fund in the amount of \$570,000 for working capital to support its operations during expected near term revenue or cash payment delays. The Agreement matured on June 9, 2021 and was repaid.

### 10. Mortgages Payable

Balances due to the following organizations are as follows at June 30, 2021 and 2020:

Department of Housing Preservation and Development (a)	\$ 5,013,173
Federal Home Loan Bank (b)	530,000
Homeless Housing Assistance Corporation (c)	<u>2,368,000</u>
	<u>\$ 7,911,173</u>

In May 2005, SHSHDFC entered into a construction financing agreement with the Department of Housing Preservation and Development ("DHPD"), Federal Home Loan Bank ("FHLB") and New York State Homeless Housing Assistance Corporation ("HHAC") in connection with the project at 290 East Third Street. Financing provided under this agreement is secured by SHSHDFC's land and building.

## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2021

### 10. Mortgages Payable (continued)

- (a) The total amount available from DHPD is \$5,476,465. As of June 30, 2021 and 2020, cumulative funds drawn down were \$5,013,173. The balance of \$463,292 was unused and is not available since construction is complete. Interest accrues at 1% beginning 270 days after substantial completion of construction, which was January 1, 2007. Interest of \$50,132 was accrued for each of the years ended June 30, 2021 and 2020. Cumulative interest of \$687,417 and \$637,285 has been accrued as of June 30, 2021 and 2020. The loan principal and accrued interest will be deemed satisfied in 2037 if the project is operated in conformance with the contract requirements for 30 years.
- (b) The total amount available from FHLB was \$530,000, which was fully drawn as of June 30, 2021 and 2020 and does not bear interest. The loan principal will convert to a grant in 2022 if the project is operated in conformance with the contract requirements for 15 years.
- (c) The total amount available for borrowing from HHAC was \$2,368,000, which was fully drawn as of June 30, 2021 and 2020, and does not bear interest. The loan principal will be deemed satisfied in 2032 after operating the project in conformance with requirements for 25 years.

It is the intention of management to operate this property in conformance with the requirements of each loan.

As these financing arrangements bear no interest or below-market interest rates, an in-kind contribution of \$206,981 and \$344,234 is included in grants and fees from contracting agencies and interest expense for the years ended June 30, 2021 and 2020 to reflect the estimated value of contributed interest as required under U.S. GAAP. Imputed interest expense was calculated at the weighted average prime rates below:

07/01/2019 - 08/01/2019	5.50%
08/02/2019 - 09/19/2019	5.25%
09/20/2019 - 10/31/2019	5.00%
11/01/2019 - 03/04/2020	4.75%
03/05/2020 - 03/16/2020	4.25%
03/17/2020 - 06/30/2021	3.25%

## Henry Street Settlement and Affiliates

### Notes to Consolidated Financial Statements June 30, 2021

#### 11. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes at June 30:

	2021	2020
Subject to expenditure for specified purpose or period:		
Arts program	\$ 2,226,512	\$ 1,982,455
Capital campaign	1,128,625	1,128,625
Community and social development	4,722,964	2,993,044
Millennium campaign	1,383,275	917,948
Workforce development center	2,332,231	1,172,880
Youth activities	3,923,116	1,196,624
Youth programs	1,080,945	626,111
Total Subject to Expenditure for Specified Purpose or Period	16,797,668	10,017,687
Endowments subject to the Settlement's spending policy and appropriation:		
Arts program	2,373,168	2,373,168
Workforce development center	4,452,339	2,000,000
Youth activities	7,924,014	7,924,014
Youth programs	1,442,881	1,442,881
Youth Summer Camp	368,835	368,835
General purposes	6,771,237	6,771,237
Total Endowments Subject to the Settlement's Spending Policy and Appropriation	23,332,474	20,880,135
Total Net Assets with Donor Restrictions	\$ 40,130,142	\$ 30,897,822

Net assets were released from donor restrictions by incurring expenses satisfying the following restricted purposes or by the passage of time:

	2021	2020
Satisfaction of Program Restrictions		
Arts program	\$ 504,117	\$ 649,584
Capital campaign	-	395,967
Community and social development	2,988,949	2,208,820
Workforce development center	1,594,518	1,177,500
Youth activities	639,529	642,941
Youth programs	25,000	214,230
	5,752,113	5,289,042
Income Distribution Requirement		
Arts programs	59,737	64,431
Workforce development center	47,987	51,758
Youth activities	171,016	255,024
Youth programs	150,000	150,000
	428,740	521,213
Satisfaction of capital acquisition restrictions	-	400,000
	\$ 6,180,853	\$ 6,210,255

## **Henry Street Settlement and Affiliates**

Notes to Consolidated Financial Statements  
June 30, 2021

### **12. Endowment Fund**

#### ***General***

The Settlement's net assets with donor restrictions include endowment fund assets to be held in perpetuity. The income from the assets can be used to support the programs.

As required by U.S. 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 the Settlement has adopted 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 based on certain specified standards of prudence. As a result of this interpretation, the Settlement retains in perpetuity (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the 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 retained in perpetuity is subject to appropriation for expenditure by the Settlement in a manner consistent with the standards of prudence prescribed by NYPMIFA.

#### ***Return Objectives, Strategies Employed and Spending Policy***

The objective of the Settlement is to maintain the principal endowment funds at the original amount designated by the donor. The investment policy to achieve this objective is to invest in low-risk securities. Interest earned in relation to the endowment funds is recorded as donor restricted income and released from restriction upon expenditure for the program for which the endowment fund was established. The Settlement is now governed by the NYPMIFA spending policy, which establishes a prudent spending limit of 7% of the average fair value of the funds previous five years' balance.

#### ***Funds with Deficiencies***

The Settlement does not have any funds with deficiencies.

## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2021

### 12. Endowment Fund *(continued)*

#### ***Endowment Net Asset Composition by Type of Fund***

The following is a reconciliation of the activity in the donor restricted endowment funds portion of the investment portfolio for the years ended June 30, 2021 and 2020:

	Temporary in Nature	Permanent in Nature	Total
Balance, June 30, 2019	\$ 4,370,845	\$ 20,880,135	\$ 25,250,980
Interest and dividends	555,716	-	555,716
Investment loss, net	(492,627)	-	(492,627)
Appropriation for expenditure	(521,213)	-	(521,213)
Balance, June 30, 2020	3,912,721	20,880,135	24,792,856
Additions	-	2,452,339	2,452,339
Interest and dividends	782,910	-	782,910
Investment gain, net	3,548,118	-	3,548,118
Appropriation for expenditure	(428,740)	-	(428,740)
Balance, June 30, 2021	<u>\$ 7,815,009</u>	<u>\$ 23,332,474</u>	<u>\$ 31,147,483</u>

### 13. Rental Revenue

The Settlement leases apartments to qualifying low-income individuals under one-year non-cancelable leases. Rental revenue was \$731,464 and \$694,749 for the years ended June 30, 2021 and 2020.

The Settlement rented out space, including theater facilities, under per diem lease arrangements. Rental income totaled \$222,734 and \$349,515 for the years ended June 30, 2021 and 2020.

### 14. Occupancy Expense

Included within occupancy costs is rent expense (exclusive of in-kind rentals) of \$563,326 and \$652,154 for the years ended June 30, 2021 and 2020. These costs are largely associated with month-to-month rentals and include rental assistance paid on behalf of housing assistance program participants.

On July 26, 2018, the Settlement entered into a lease agreement with Site 6 Commercial, LLC for the rental of office space located in Manhattan, New York. The lease term commenced on October 1, 2019 and expires on September 30, 2029, with an option to renew the lease for an additional ten years. Under the terms of the lease, the Settlement is also obligated to pay common charges and a proportionate share of real estate taxes. The Settlement recognizes rent expense according to the lease terms and has determined that the straight-lining rent adjustment as required by U.S. GAAP was not material to the consolidated financial statements.

## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2021

### 14. Occupancy Expense *(continued)*

The future minimum lease payments under the lease agreements are as follows for the years ending June 30:

2022	\$ 292,032
2023	294,798
2024	303,816
2025	319,110
2026	328,686
Thereafter	<u>687,246</u>
	<u>\$ 2,225,688</u>

The Settlement provides program services from several locations for which rent is not currently being charged. In accordance with U.S. GAAP, the value of an in-kind contribution was included in grants and fees from contracting agencies and occupancy expense to reflect the estimated fair value of contributed rent. The value of the in-kind rental totaled \$2,000,000 for each of the years ended June 30, 2021 and 2020. Total rent expense (including in-kind rentals) was \$3,467,340 and \$3,854,879 for the years ended June 30, 2021 and 2020.

### 15. Concentration of Credit Risk

Financial instruments that potentially subject the Settlement to concentrations of credit risk consist primarily of cash, investments and receivables. Approximately 66% and 61% of the Settlement's contributions receivable are from two donors and one donor, as of June 30, 2021 and 2020. The amount of these contributions receivable as of June 30, 2021 and 2020 is \$340,000 and \$600,000, and is promised from long-standing donors to the Settlement.

At times, the cash balance may be in excess of the Federal Deposit Insurance Corporation's insurance limits. At June 30, 2021 and 2020, the uninsured portion of the cash balance was \$1,950,000 and \$1,750,000. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of risk.

Most of the Settlement's programs are funded by contracts from various government agencies. As a result, the Settlement is highly dependent on government reimbursement sources.

### 16. Contingencies

The Settlement is subject to numerous laws and regulations imposed by federal state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to government review and interpretation as well as regulatory actions unknown and unasserted at this time.

## Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements  
June 30, 2021

### 16. Contingencies (continued)

In addition, certain cost reports which serve as the basis for final settlement with the Medicare program remain open for audit and settlement, as are New York State Medicaid cost reports for prior years.

The Settlement is not aware of any allegations of noncompliance that could have a material adverse effect on the amounts recorded in the consolidated financial statements. In addition, management believes that the Settlement has an effective compliance program in place to assist in complying with current laws and regulations and is in compliance, in all material respects, with applicable laws and regulations.

### 17. Dissolution

During the year ended June 30, 2019, the Board adopted a resolution to formally close HUL. Legal counsel has completed all necessary steps to accomplish this during fiscal year 2020. Management does not believe that there would be any significant difference in the consolidated financial statements as of and for the year ended June 30, 2020 if HUL was shown as a discontinued operation as the net assets of HUL are expected to be transferred to Henry Street.

During the year ended June 30, 2020 the intercompany balance was forgiven and the remaining net assets and activities transferred to Henry Street in fiscal year 2021.

	<u>2020</u>
Assets	\$ -
Liabilities	<u>950,826</u>
Net Assets	<u>\$ (950,826)</u>
Revenues	\$ 17,385
Expenses	<u>62,994</u>
Change in Net Assets	<u>\$ (45,609)</u>

### 18. Coronavirus (“COVID-19”)

The Coronavirus outbreak has had and may continue to have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the COVID-19, and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition. Additionally, the COVID-19 pandemic has resulted in substantial volatility in global financial markets. Management cannot reasonably estimate the impact it will have in the future on the Settlement’s investment portfolio.

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