

Henry Street Settlement and Affiliates

Consolidated Financial Statements

June 30, 2020

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, 2020, 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, 2020, 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' 2019 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated January 30, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PKF O'Connor Davies, LLP

February 16, 2021

Henry Street Settlement and Affiliates

Consolidated Statement of Financial Position
June 30, 2020
(with comparative amounts at June 30, 2019)

	2020	2019
ASSETS		
Cash (Note 15)	\$ 2,106,862	\$ 165,126
Investments (Note 3)	34,123,614	32,930,141
Due from contracting agencies, net (Note 2)	10,426,252	10,178,142
Accounts receivable (Note 2)	53,615	592,157
Deposits, prepaid expenses and other assets	113,239	189,576
Contributions receivable (Note 4)	980,654	2,372,292
Property and equipment, net (Note 5)	23,640,131	22,325,196
	\$ 71,444,367	\$ 68,752,630
LIABILITIES AND NET ASSETS		
Liabilities		
Accrued salaries and related liabilities	\$ 1,971,366	\$ 1,671,737
Accounts and accrued expenses payable	2,572,405	2,788,767
Refundable advances (Note 2)	532,283	2,192,147
Line of credit (Note 8)	2,800,000	4,753,648
Loans payable (Note 9)	5,770,300	-
Mortgages payable (Note 10)	7,911,173	7,911,173
Total Liabilities	21,557,527	19,317,472
Net Assets		
Without Donor Restrictions		
Undesignated and plant fund	13,645,397	13,010,832
Board designated fund	5,343,621	6,465,139
Total Without Donor Restrictions	18,989,018	19,475,971
With Donor Restrictions (Note 11)		
Temporary in nature	10,017,687	9,079,052
Permanent in nature	20,880,135	20,880,135
Total With Donor Restrictions	30,897,822	29,959,187
Total Net Assets	49,886,840	49,435,158
	\$ 71,444,367	\$ 68,752,630

See notes to consolidated financial statements

Henry Street Settlement and Affiliates

Consolidated Statement of Activities Year Ended June 30, 2020 (with summarized totals for the year ended June 30, 2019)

	Without Donor Restrictions			With Donor Restrictions	Total	
	Undesignated and Plant Fund	Board Designated Fund	Total		2020	2019
REVENUES, GAINS AND OTHER SUPPORT						
Contributions	\$ 1,608,661	\$ -	\$ 1,608,661	\$ 6,665,801	\$ 8,274,462	\$ 5,975,554
Contributions, Capital Campaign	-	-	-	370,000	370,000	1,311,500
Special events, less costs of direct benefit to donors of \$156,796 and \$407,104	1,036,000	-	1,036,000	-	1,036,000	1,477,882
Legacies and bequests	1,000	208,674	209,674	50,000	259,674	300,509
Grants and fees from contracting agencies	33,851,629	-	33,851,629	-	33,851,629	32,716,886
Program service fees	2,623,035	-	2,623,035	-	2,623,035	3,406,898
Realized (losses) gains on sale of investments	-	(66,529)	(66,529)	(83,038)	(149,567)	53,927
Unrealized (losses) gains on investments	-	(531,199)	(531,199)	(409,589)	(940,788)	296,982
Interest and dividends	4,378	460,725	465,103	555,716	1,020,819	832,545
Income distribution (Note 2)	600,526	(600,526)	-	-	-	-
Rental revenue (Note 13)	1,044,264	-	1,044,264	-	1,044,264	876,056
Other income	1,066,837	-	1,066,837	-	1,066,837	500,272
Net Assets Released from Restrictions (Note 11)						
Satisfaction of program restrictions	5,646,871	(357,829)	5,289,042	(5,289,042)	-	-
Satisfaction of income distribution requirement (Note 2)	521,213	-	521,213	(521,213)	-	-
Satisfaction of capital acquisition restrictions	400,000	-	400,000	(400,000)	-	-
Total Revenues, Gains and Other Support	48,404,414	(886,684)	47,517,730	938,635	48,456,365	47,749,011
EXPENSES						
Program Services						
Shelter and transitional housing	14,097,338	-	14,097,338	-	14,097,338	13,796,723
Health and wellness	12,586,668	-	12,586,668	-	12,586,668	11,285,373
Youth and employment Training	12,028,504	-	12,028,504	-	12,028,504	12,174,211
Art center	2,789,320	-	2,789,320	-	2,789,320	2,598,667
Total Program Services	41,501,830	-	41,501,830	-	41,501,830	39,854,974
Supporting Services						
Management and general	5,351,658	-	5,351,658	-	5,351,658	4,799,001
Fundraising	1,151,195	-	1,151,195	-	1,151,195	1,180,610
Total Supporting Services	6,502,853	-	6,502,853	-	6,502,853	5,979,611
Total Expenses	48,004,683	-	48,004,683	-	48,004,683	45,834,585
Change in Net Assets Before Other Changes	399,731	(886,684)	(486,953)	938,635	451,682	1,914,426
OTHER CHANGES						
Transfer from Board Designated Fund	234,834	(234,834)	-	-	-	-
Change in Net Assets	634,565	(1,121,518)	(486,953)	938,635	451,682	1,914,426
NET ASSETS						
Beginning of year	13,010,832	6,465,139	19,475,971	29,959,187	49,435,158	47,520,732
End of year	\$ 13,645,397	\$ 5,343,621	\$ 18,989,018	\$ 30,897,822	\$ 49,886,840	\$ 49,435,158

See notes to consolidated financial statements

Henry Street Settlement and Affiliates

Consolidated Statement of Functional Expenses Year Ended June 30, 2020 (with summarized totals for the year ended June 30, 2019)

	Program Services				Supporting Services				Total		
	Shelter and Transitional Housing	Health and Wellness	Youth and Employment Training	Art Center	Total	Management and General	Fundraising	Direct Benefit to Donors	Total	2020	2019
Salaries	\$ 5,607,322	\$ 5,229,354	\$ 7,059,473	\$ 1,191,358	\$ 19,087,507	\$ 3,090,621	\$ 705,682	\$ -	\$ 3,796,303	\$ 22,883,810	\$ 21,506,345
Payroll taxes and employee benefits	1,553,632	1,503,931	1,760,647	311,456	5,129,666	764,030	179,532	-	943,562	6,073,228	6,348,686
Total Salaries and Related Expenses	7,160,954	6,733,285	8,820,120	1,502,814	24,217,173	3,854,651	885,214	-	4,739,865	28,957,038	27,855,031
Professional fees and contract service payments	1,762,775	1,640,309	454,613	635,432	4,493,129	520,970	57,598	14,395	592,963	5,086,092	5,186,328
Supplies	679,583	429,041	582,124	92,185	1,782,933	157,562	62,470	8,045	228,077	2,011,010	2,134,088
Telephone	154,979	154,379	146,466	16,551	472,375	58,082	4,805	-	62,887	535,262	565,594
Postage and shipping	9,532	20,377	15,829	61,313	107,051	80,921	29,507	-	110,428	217,479	257,641
Occupancy expense (Note 14)	1,807,843	730,378	999,471	187,533	3,725,225	73,127	56,527	-	129,654	3,854,879	3,877,041
Equipment purchases and rentals	595,926	109,627	225,185	140,452	1,071,190	63,880	34,638	23,208	121,726	1,192,916	1,110,256
Transportation	32,372	104,475	96,004	46,242	279,093	8,744	1,935	-	10,679	289,772	399,495
Insurance	327,385	79,978	71,255	25,669	504,287	17,279	1,125	-	18,404	522,691	444,503
Bank charges and custodial fees	10	906	9,539	19,870	30,325	164,834	1,761	-	166,595	196,920	71,217
Interest	394,366	-	-	-	394,366	96,833	-	-	96,833	491,199	535,142
Food	524,894	2,112,044	191,518	7,451	2,835,907	33,003	12,705	111,148	156,856	2,992,763	2,470,426
Stipends	-	313,380	32,772	250	346,402	-	-	-	-	346,402	313,368
Membership fees and conferences	18,445	5,005	234,605	4,297	262,352	58,422	752	-	59,174	321,526	101,487
Scholarships	-	-	-	-	-	12,500	-	-	12,500	12,500	133,925
Depreciation and amortization	628,274	153,484	149,003	49,261	980,022	33,159	2,158	-	35,317	1,015,339	786,147
Bad debt expense	-	-	-	-	-	117,691	-	-	117,691	117,691	-
Total Expenses	14,097,338	12,586,668	12,028,504	2,789,320	41,501,830	5,351,658	1,151,195	156,796	6,659,649	48,161,479	46,241,689
Less costs with direct benefit to donors	-	-	-	-	-	-	-	(156,796)	(156,796)	(156,796)	(407,104)
Total Expenses Reported by Function on the Consolidated Statement of Activities	\$ 14,097,338	\$ 12,586,668	\$ 12,028,504	\$ 2,789,320	\$ 41,501,830	\$ 5,351,658	\$ 1,151,195	\$ -	\$ 6,502,853	\$ 48,004,683	\$ 45,834,585

See notes to consolidated financial statements

Henry Street Settlement and Affiliates

Consolidated Statement of Cash Flows
Year Ended June 30, 2020
(with comparative amounts for the year ended June 30, 2019)

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 451,682	\$ 1,914,426
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	1,015,339	786,147
Realized losses (gains) on sale of investments	149,567	(53,927)
Unrealized losses (gains) on investments	940,788	(296,982)
Loss on disposal of equipment	118,785	-
Bad debt expense	117,691	-
Changes in operating assets and liabilities		
Due from contracting agencies	(282,196)	(2,048,551)
Accounts receivable	454,937	(59,464)
Deposits, prepaid expenses and other assets	76,337	574,577
Contributions receivable	1,391,638	1,095,737
Accrued salaries and related liabilities	299,629	228,085
Accounts and accrued expenses payable	(216,362)	(147,870)
Refundable advances	(1,659,864)	24,608
Net Cash from Operating Activities	2,857,971	2,016,786
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(10,545,221)	(10,707,151)
Proceeds from sale of investments	8,261,393	10,904,906
Purchase of property and equipment	(2,449,059)	(5,168,026)
Net Cash from Investing Activities	(4,732,887)	(4,970,271)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit	850,000	-
Payments on line of credit	(2,803,648)	4,253,648
Proceeds from loans	5,770,300	(1,950,000)
Net Cash from Financing Activities	3,816,652	2,303,648
Net Change in Cash	1,941,736	(649,837)
CASH		
Beginning of year	165,126	814,963
End of year	\$ 2,106,862	\$ 165,126
SUPPLEMENTARY CASH FLOW INFORMATION		
Cash paid during the year for interest	\$ 96,833	\$ 114,116

See notes to consolidated financial statements

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

1. 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 programs, 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 during 2019, filed a petition of dissolution with the New York State Attorney General’s office.

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, 2020

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.

Change in Accounting Principles

Revenue from Contracts with Customers

Effective July 1, 2019, the Settlement adopted ASU 2014-09, *Revenue from Contracts with Customers*, as amended. The guidance provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new revenue recognition guidance does not apply to how contributions and pledges are recognized, as they are specifically scoped out of the new guidance. The core principle of the new guidance is that an entity should recognize revenue from transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to receive for those promised goods or services to customers. The guidance includes a five-step framework to determine the timing and amount of revenue to recognize related to contracts with customers. In addition, this guidance requires new or expanded disclosures related to judgments made by entities when following this framework.

Analysis of various provisions of this standard resulted in no significant changes in the way the Settlement recognizes revenue, and therefore no changes to the previously issued consolidated financial statements were required on a retrospective basis. When revenue is earned over a period that spans the year end, it is recognized in the applicable period in which it is earned. The new guidance requires the Settlement to not recognize revenue until it is probable of collection. Based on the Settlement’s collection experience, the Settlement has concluded that all revenue recognized is probable of collection.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

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

Change in Accounting Principles (continued)

Recognition of Contributions

Effective July 1, 2019, the Settlement adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance provides a framework for evaluating whether grants and contributions should be accounted for as exchange transactions or as nonexchange transactions. Analysis of various provisions of this standard resulted in no significant changes in the way the Settlement recognizes contributions, and therefore no changes to the previously issued audited financial statements were required on a retrospective basis.

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, 2019, 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.

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.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

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

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 year 2020 the distribution amount was set at \$1,121,739, representing approximately 3.6% of the portfolio value. During the year ended June 30, 2019, following the termination of the defined benefit pension plan, management made the decision to distribute only a minimal amount of \$570,000 and allow the portfolio to accumulate 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 Operating Fund as follows for the years ended June 30:

	<u>2020</u>	<u>2019</u>
Income distribution - Board Designated Fund	\$ 600,526	\$ 350,000
Net assets released from restrictions - satisfaction of income distribution requirement (See Note 11)	<u>521,213</u>	<u>220,000</u>
	<u>\$ 1,121,739</u>	<u>\$ 570,000</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.

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.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

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

Due from Contracting Agencies, Accounts Receivable and Allowance for Doubtful Accounts (continued)

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 \$35,686 and \$1,600 at June 30, 2020 and 2019.

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, 2020.

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	1-40 years
Furniture and equipment	5-25 years

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, 2020 and 2019.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

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

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

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

In-kind contributions and interest expense are recorded for mortgages which do not bear interest. 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.

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.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

2. Summary of Significant Accounting Policies (continued)

Grants and Fees from Contracting Agencies (continued)

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 or are not recognized as revenue initially and are disclosed in the note disclosures 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, 2020 and 2019 were \$56,243 and \$63,277.

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 based on direct expenses and other specific allocation methods based on a time and effort methodology.

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, 2017.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

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

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 financial statements were available to be issued, which date is February 16, 2021.

3. Investments

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

	2020		2019	
	Level 1	Total	Level 1	Total
Short-term investments	<u>\$ 7,801,364</u>	<u>\$ 7,801,364</u>	<u>\$ 8,157,080</u>	<u>\$ 8,157,080</u>
Common and Preferred Stock				
U.S. large cap equity	7,392,228	7,392,228	7,034,140	7,034,140
U.S. mid cap equity	1,373,837	1,373,837	2,132,283	2,132,283
International equity	<u>7,060,223</u>	<u>7,060,223</u>	<u>7,347,613</u>	<u>7,347,613</u>
	<u>15,826,288</u>	<u>15,826,288</u>	<u>16,514,036</u>	<u>16,514,036</u>
Mutual Funds				
Intermediate government	377,795	377,795	371,472	371,472
Real estate and commodities	<u>1,051,813</u>	<u>1,051,813</u>	<u>1,209,333</u>	<u>1,209,333</u>
	<u>1,429,608</u>	<u>1,429,608</u>	<u>1,580,805</u>	<u>1,580,805</u>
	<u>\$ 25,057,260</u>	25,057,260	<u>\$ 26,251,921</u>	26,251,921
Certificates of deposit, at cost		3,366,064		423,300
Investment in limited partnerships (1)		<u>5,700,290</u>		<u>6,254,920</u>
		<u>\$ 34,123,614</u>		<u>\$ 32,930,141</u>

(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, 2020 and 2019, 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, 2020

3. Investments *(continued)*

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

	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		
	2019			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Equity long/short hedge funds (a)	\$ 3,271,709	\$ -	varies	7-70 days
Private equity (b)	2,983,211	1,762,266	N/A	N/A
Total	\$ 6,254,920	\$ 1,762,266		

- (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.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

3. Investments (continued)

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.

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 \$980,654 and \$2,372,292 at June 30, 2020 and 2019. Management determined that there was no need for an allowance for doubtful accounts at June 30, 2020 and 2019. 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>2020</u>	<u>2019</u>
Land	\$ 716,984	\$ 716,984
Building, building improvements and leasehold improvements	34,447,988	28,407,980
Furniture and equipment	4,745,204	4,670,623
Construction in progress	<u>4,273,350</u>	<u>8,685,643</u>
	44,183,526	42,481,230
Accumulated depreciation and amortization	<u>(20,543,395)</u>	<u>(20,156,034)</u>
	<u>\$ 23,640,131</u>	<u>\$ 22,325,196</u>

During the year ended June 30, 2020, assets with a cost basis of \$746,763 and accumulated depreciation of \$627,978 were disposed of resulting in a loss of \$118,785. During the year ended June 30, 2019, fully depreciated assets of \$433,268 were disposed of.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements June 30, 2020

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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Financial assets at year end:		
Cash	\$ 2,106,862	\$ 165,126
Investments	34,123,614	32,930,141
Due from contracting agencies, net	10,426,252	10,178,142
Accounts receivable	53,615	592,157
Contributions receivable	980,654	2,372,292
Total Financial Assets	<u>47,690,997</u>	<u>46,237,858</u>
Less: amounts not available to be used within one year:		
Net assets with donor restrictions	(30,897,822)	(29,959,187)
Board designated fund	(5,343,621)	(6,465,139)
Add: net assets with purpose restrictions expected to be met in less than one year	<u>3,909,493</u>	<u>2,307,890</u>
	<u>(32,331,950)</u>	<u>(34,116,436)</u>
Financial Assets at Year End Available to Meet Cash		
Needs for General Expenditures within One Year	<u>\$ 15,359,047</u>	<u>\$ 12,121,422</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, 2020, \$4,200,000 was available for drawdown on this line of credit. The Settlement's Board Designated Fund balance of approximately \$5,300,000 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, 2020 and 2019 totaled \$887,474 and \$856,943.

(b) *Defined Compensation Plan*

The Settlement maintains a 457(b) deferred compensation arrangement for certain employees. Pension expense of \$42,055 and \$39,455 was recorded for the years ended June 30, 2020 and 2019 in connection with this plan. At June 30, 2020 and 2019, there was no unfunded balance.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements June 30, 2020

8. Line of Credit

The Settlement secured a \$7,000,000 line of credit through June 30, 2020, which was subsequently renewed on October 31, 2020 and expires on October 31, 2021. Interest is charged at a rate of London Interbank Offered Rate plus 1% and is secured by the assets of the endowment invested. The outstanding balance due on this line of credit at June 30, 2020 and 2019 was \$2,800,000 and \$4,753,648. Interest expense for the years ended June 30, 2020 and 2019 was \$96,833 and \$114,116. All Investment accounts held with J.P. Morgan are identified as specific collateral for this commitment.

9. Loan Payables

Balances due to the following organizations are as follows at June 30, 2020 and 2019:

Pursuit Lending (a)	\$ 5,200,300
Nonprofit Finance Fund (b)	<u>570,000</u>
	<u>\$ 5,770,300</u>

(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") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was enacted March 27, 2020. The Loan bears interest at a rate of 1.0% per annum, with a deferral of payments for the first six months, has a repayment term of five years, and is unsecured and guaranteed by the U.S. Small Business Administration ("SBA"). The Loan may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the PPP, some or all of the Loan may be forgiven if the proceeds are used for qualifying expenses as described in the CARES Act. To the extent that all or part of the Loan is not forgiven, the Settlement will be required to pay interest on the Loan through the date principal is repaid in full or maturity date. The Settlement believes that it has used the entire Loan amount for qualifying expenses and as such anticipates that substantially all of the Loan amount will be forgiven upon completing the forgiveness application process.

The SBA has stated it will review the needs certification on all loans over \$2,000,000. After the review, if the SBA determines that the Settlement did not meet the need criteria to apply for the PPP loan, the Settlement may be required to repay part or all of the PPP loan proceeds plus pay the accrued and unpaid interest. The Settlement believes it was eligible to receive the PPP loan proceeds and can justify the spending of funds accordingly.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

9. Loan Payables (*continued*)

(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 matures on June 9, 2021, at which point all principal is due. The Settlement agrees to use the proceeds solely for working capital or bridge financing in connection with delays in receipts of earned or contributed revenue attributable to the COVID-19 health crisis.

10. Mortgages Payable

Balances due to the following organizations are as follows at June 30, 2020 and 2019:

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.

- (a) The total amount available from DHPD is \$5,476,465. As of June 30, 2020 and 2019, 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 both the years ended June 30, 2020 and 2019. Cumulative interest of \$637,285 and \$587,153 has been accrued as of June 30, 2020 and 2019. 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, 2020 and 2019 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, 2020 and 2019, 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.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

10. Mortgages Payable *(continued)*

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 \$344,234 is included in grants and fees from contracting agencies and interest expense for each of the years ended June 30, 2020 and 2019 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:

07/01/2018 - 09/26/2018	5.00%
09/27/2018 - 12/19/2018	5.25%
12/20/2018 - 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 - 06/30/2020	3.25%

11. Net Assets with Donor Restrictions

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

	2020	2019
Subject to expenditure for specified purpose or period:		
Arts program	\$ 1,982,455	\$ 1,663,770
Capital campaign	1,128,625	1,554,592
Community and social development	2,993,044	1,358,424
Millennium campaign	917,948	916,304
Workforce development center	1,172,880	1,376,629
Youth activities	1,196,624	1,499,264
Youth programs (BGR)	626,111	710,069
Total Subject to Expenditure for Specified Purpose or Period	10,017,687	9,079,052
Endowments subject to the Settlement's spending policy and appropriation:		
Arts program	2,373,168	2,373,168
Workforce development center	2,000,000	2,000,000
Youth activities	7,924,014	7,924,014
Other Youth Programs (BGR)	1,442,881	1,442,881
Youth Summer Camp (BGR)	368,835	368,835
General purposes	6,771,237	6,771,237
Total Endowments Subject to the Settlement's Spending Policy and Appropriation	20,880,135	20,880,135
Total Net Assets with Donor Restrictions	\$ 30,897,822	\$ 29,959,187

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

11. Net Assets with Donor Restrictions *(continued)*

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

	<u>2020</u>	<u>2019</u>
Satisfaction of Program Restrictions		
Arts program	\$ 649,584	\$ 571,820
Capital campaign	395,967	162,886
Community and social development	2,208,820	1,768,630
Workforce development center	1,177,500	1,449,164
Youth activities	642,941	753,634
Youth programs (BGR)	214,230	128,695
	<u>5,289,042</u>	<u>4,834,829</u>
Income Distribution Requirement		
Arts programs	64,431	-
Workforce development center	51,758	-
Youth activities	255,024	120,000
Youth programs (BGR)	150,000	100,000
	<u>521,213</u>	<u>220,000</u>
Satisfaction of capital acquisition restrictions	400,000	3,138,530
	<u>\$ 6,210,255</u>	<u>\$ 8,193,359</u>

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.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

12. Endowment Fund (continued)

Interpretation of Relevant Law (continued)

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.

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, 2020 and 2019:

	Temporary in Nature	Permanent in Nature	Total
Balance, June 30, 2018	\$ 3,910,911	\$ 20,880,135	\$24,791,046
Interest and dividends	432,035	-	432,035
Investment gain, net	247,899	-	247,899
Appropriation for expenditure	<u>(220,000)</u>	<u>-</u>	<u>(220,000)</u>
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	<u>(521,213)</u>	<u>-</u>	<u>(521,213)</u>
Balance, June 30, 2020	<u>\$ 3,912,721</u>	<u>\$ 20,880,135</u>	<u>\$24,792,856</u>

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

13. Rental Revenue

The Settlement leases apartments to qualifying low-income individuals under one-year non-cancelable leases. Rental revenue was \$694,749 and \$653,121 for the years ended June 30, 2020 and 2019.

The Settlement rented out space, including theater facilities, under per diem lease arrangements. Rental income totaled \$349,515 and \$222,935 for the years ended June 30, 2020 and 2019.

14. Occupancy Expense

Included within occupancy costs is rent expense (exclusive of in-kind rentals) of \$652,154 and \$760,632 for the years ended June 30, 2020 and 2019. These costs are largely associated with month-to-month rentals and include rental assistance paid on behalf of housing assistance program participants.

The Settlement leased space at 99 Essex Street under a noncancelable operating lease agreement expiring May 2022. In May 2019, the Settlement opted to early terminate this lease in September 2019, in accordance with the terms of the lease agreement. 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 will recognize rent expense according to the lease and determined that the straight-lining rent adjustment as required by U.S. GAAP was not material.

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

2021	\$ 283,524
2022	292,032
2023	294,798
2024	303,816
2025	319,110
Thereafter	<u>1,015,932</u>
	<u>\$ 2,509,212</u>

The Settlement and its affiliates provide 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 and \$2,015,000 for the years ended June 30, 2020 and 2019. Total rent expense (including in-kind rentals) was \$3,854,879 and \$3,877,041 for the years ended June 30, 2020 and 2019.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 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 61% and 42% of the Settlement's contributions receivable is from two donors and one donor, as of June 30, 2020 and 2019. The amount of these contributions receivable as of June 30, 2020 and 2019 is \$600,000 and \$1,000,000, and is promised from long-standing donor to the Settlement.

At times, the cash balance may be in excess of the Federal Deposit Insurance Corporation's insurance limits. At June 30, 2020 and 2019, the uninsured portion of the cash balance was \$1,750,000 and \$116,388. 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.

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, the intercompany balance was forgiven and the remaining net assets and activities will transfer into Henry Street in fiscal year 2021.

Henry Street Settlement and Affiliates

Notes to Consolidated Financial Statements
June 30, 2020

17. Dissolution (*continued*)

The below table shows the financial activity for HUL for the year ended June 30, 2020:

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