



***CONSOLIDATED FINANCIAL STATEMENTS  
WITH INDEPENDENT AUDITORS' REPORT***

***YEARS ENDED JUNE 30, 2023 AND 2022***

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## INDEPENDENT AUDITORS' REPORT

To The Board of Trustees  
Community Service Society of New York and Affiliates  
New York, New York

### **Opinion**

We have audited the accompanying consolidated financial statements of the Community Service Society of New York (a nonprofit organization) and Affiliates, (the Society), which comprise the consolidated balance sheets as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Community Service Society of New York and Affiliates as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditors' Responsibility for the Audit of the Financial Statements**

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

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

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

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

*Dorfman Abrams Music, LLC*

Saddle Brook, New Jersey  
November 27, 2023

COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES

CONSOLIDATED BALANCE SHEETS  
(in thousands)

ASSETS

	June 30,	
	<u>2023</u>	<u>2022</u>
Assets:		
Cash and cash equivalents	\$ 8,133	\$ 5,886
Investments	155,601	146,000
Government grants and other receivables	15,435	12,701
Prepaid expenses and other assets	412	540
Beneficial interest in perpetual trusts	41,146	38,816
Property and equipment, net	<u>28,271</u>	<u>29,549</u>
Total assets	<u>\$ 248,998</u>	<u>\$ 233,492</u>

LIABILITIES AND NET ASSETS

Liabilities:		
Accounts payable and accrued expenses	\$ 6,566	\$ 6,266
Refundable advances	437	756
Accrued pension and post-retirement liability	<u>61</u>	<u>6,072</u>
Total liabilities	<u>7,064</u>	<u>13,094</u>
Net assets:		
Without donor restrictions:		
Board designated:		
Quasi-endowment fund	97,476	93,699
Operating reserve	5,000	5,000
Other	1,215	1,115
Bequest	6,773	6,317
Undesignated	<u>47,564</u>	<u>37,233</u>
Total net assets without donor restrictions	<u>158,028</u>	<u>143,364</u>
With donor restrictions:		
Donor restricted endowment funds	27,176	24,203
Beneficial interest in perpetual trusts	41,146	38,816
Purpose restricted	<u>15,584</u>	<u>14,015</u>
Total net assets with donor restrictions	<u>83,906</u>	<u>77,034</u>
Total net assets	<u>241,934</u>	<u>220,398</u>
Total liabilities and net assets	<u>\$ 248,998</u>	<u>\$ 233,492</u>

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

COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES

CONSOLIDATED STATEMENTS OF ACTIVITIES

(in thousands)

	Year ended June 30, 2023		Year ended June 30, 2022	
	Without donor restrictions	With donor restrictions	Without donor restrictions	With donor restrictions
Operating revenue and support:				
Government grants	\$ 876	\$ 23,982	\$ 866	\$ 20,884
Direct contributions and federated campaigns	455	4,880	2	2,609
Bequests	168		126	
Program fees and other revenue	9,562	2,938	8,913	1,087
Investment return used for operations, net	155	25		
Special events, net expenses of \$200 in 2023		(29,942)	25,488	(25,488)
Net assets released from restrictions	29,942			
Total operating revenue and support	41,158	1,883	35,395	(908)
Operating expenses:				
Program services:				
Direct program services	29,492		25,474	
Policy, research and advocacy	3,117		3,208	
Public interest	746		780	
Total program services	33,355		29,462	
Supporting services:				
Management and general	3,660		3,614	
Fundraising	1,596		1,410	
Total supporting services	5,256		5,024	
Total operating expenses	38,611		34,486	
Excess (deficit) of operating revenue over operating expenses	2,547	1,883	909	(908)
Non-operating activities:				
Investment return in excess of amount used for operations, net	7,591	4,989	(27,789)	(10,791)
Total non-operating activities	7,591	4,989	(27,789)	(10,791)
Change in net assets before pension and post-retirement related charges	10,138	6,872	(26,880)	(11,699)
Pension and post-retirement related charges other than net periodic pension cost	4,526		5,916	
Change in total net assets	14,664	6,872	(20,964)	(11,699)
Net assets, beginning of year	143,364	77,034	164,328	88,733
Net assets, end of year	\$ 158,028	\$ 83,906	\$ 143,364	\$ 77,034
				\$ 220,398

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

COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands)

	Year ended June 30,	
	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ 21,536	\$ (32,663)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	1,315	1,444
Net realized and unrealized (gains) losses on investments	(18,365)	25,492
(Increase) decrease in beneficial interest in perpetual trusts	(2,330)	7,769
Pension and post-retirement related changes other than net periodic pension cost	(4,526)	(5,916)
Changes in operating assets and liabilities:		
(Increase) decrease in:		
Government grants and other receivables	(2,734)	(1,239)
Prepaid expenses and other assets	128	(42)
Increase (decrease) in:		
Accounts payable and accrued expenses	300	229
Refundable advances	(319)	73
Accrued pension and post-retirement liability	(1,485)	(1,362)
Net cash used by operating activities	<u>(6,480)</u>	<u>(6,215)</u>
Cash flows from investing activities:		
Purchases of investments	(33,514)	(25,423)
Proceeds from sale/maturity of investments	42,278	31,713
Purchases of property and equipment	<u>(37)</u>	<u>(51)</u>
Net cash provided by investing activities	<u>8,727</u>	<u>6,239</u>
Net increase in cash and cash equivalents	2,247	24
Cash and cash equivalents, beginning of year	<u>5,886</u>	<u>5,862</u>
Cash and cash equivalents, end of year	<u>\$ 8,133</u>	<u>\$ 5,886</u>

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

COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
*(in thousands)*

Years Ended June 30, 2023 and 2022

	Program services expenses						
	Direct program services		Policy, research and advocacy		Public interest		Total
	2023	2022	2023	2022	2023	2022	
Salaries	\$ 10,079	\$ 9,025	\$ 1,863	\$ 1,949	\$ 419	\$ 350	\$ 11,324
Fringe benefits and payroll taxes	3,248	3,056	345	444	131	123	3,623
Total salaries and related expenses	13,327	12,081	2,208	2,393	550	473	14,947
Professional fees	14,048	11,396	551	472	69	176	14,668
Occupancy	471	364	85	75	13	13	452
Software and equipment expenses	172	171	21	15	28	19	205
Direct assistance	365	381	18	20	3	1	382
Telephone and communication	157	132	9	3	3	3	155
Insurance	8	15	4	3	58	65	83
Support payments	45	34	20	13	8	107	83
Conferences, conventions and meetings	35	7	1	4	1	55	47
Printing and other office expenses	7	80	17	4	4	8	3
Transportation	80	36	4	1	1	97	66
Supplies	36	18	4	3	40	40	23
Postage and shipping	18	20	4	3	1	23	15
Other expenses	20	770	31	27	1	52	49
Depreciation	703	153	182	182	23	30	982
Total operating expenses	\$ 29,492	\$ 25,474	\$ 3,117	\$ 3,208	\$ 746	\$ 780	\$ 33,355
							\$ 29,462

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



COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES  
CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES  
*(in thousands)*

Years Ended June 30, 2023 and 2022

	Management and general		Supporting services expenses		Total		Total program and supporting services expenses	
	2023	2022	2023	2022	2023	2022	2023	2022
Salaries	\$ 1,177	\$ 1,402	\$ 861	\$ 659	\$ 2,038	\$ 2,061	\$ 14,399	\$ 13,385
Fringe benefits and payroll taxes	325	346	222	175	547	521	4,271	4,144
Total salaries and related expenses	1,502	1,748	1,083	834	2,585	2,582	18,670	17,529
Professional fees	678	566	100	169	778	735	15,446	12,779
Occupancy	152	102	32	22	184	124	753	576
Software and equipment expenses	258	277	6	5	264	282	485	487
Direct assistance	61	57	6	5	67	62	365	382
Telephone and communication	191	160			191	160	245	217
Insurance							199	169
Support payments				37		37	107	120
Conferences, conventions and meetings	183	126	5	2	188	128	243	175
Printing and other office expenses			213	226	213	226	221	229
Transportation	77	75			77	75	174	141
Supplies	143	58	3	3	146	61	186	84
Postage and shipping	7	7	83	45	90	52	113	67
Other expenses	25	28	12	10	37	38	89	87
Depreciation	383	410	53	52	436	462	1,315	1,444
Total operating expenses	\$ 3,660	\$ 3,614	\$ 1,596	\$ 1,410	\$ 5,256	\$ 5,024	\$ 38,611	\$ 34,486

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



COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(in thousands)*

June 30, 2023 and 2022

1. Nature of the Organizations

Community Service Society of New York (CSS) and its affiliated organizations, Institute for Community Empowerment (Institute), and Friends of R.S.V.P., Inc. (CSS and its affiliates are collectively referred to as the Society), are affiliated through common board control. CSS is a 501(c)(3) nonprofit corporation operating under a Certificate of Consolidation granted by the State of New York in 1939, merging the New York Association for Improving the Condition of the Poor and The Charity Organization Society of the City of New York. It is a private, nonsectarian, voluntary social service agency. The mission of CSS is to identify problems which create a permanent poverty class in New York City and to advocate the systemic changes required to eliminate such problems. CSS's primary goals are to advocate for better job opportunities to break the cycle of intergenerational poverty that particularly affects communities of color; promote policies and programs that advance the economic security of the poor and working poor; and promote health care reform as an essential strategy for alleviating barriers to employment and economic stability.

The Institute is a 501(c)(4) not-for-profit corporation which was established in November 1988 to perform certain electoral advocacy, research, and lobbying activities with other community-based organizations. The Institute did not engage in any activities during either of the years ended June 30, 2023 and 2022.

Friends of R.S.V.P., Inc. is a 501(c)(3) private foundation created in 1986 as a fund-raising vehicle for the Retired and Senior Volunteer Program administered by CSS. On January 23, 2005, the Board of Trustees voted to dissolve the Friends of R.S.V.P., Inc. Implementation of this decision has yet to occur citing the potential of a name change or reorganization.

The Society's primary sources of revenues are government grants, contributions, and investment income.

2. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of CSS, Institute and Friends of R.S.V.P., Inc. All material intercompany balances and transactions have been eliminated in consolidation.

COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

June 30, 2023 and 2022

2. Summary of significant accounting policies (continued)

Basis of presentation

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles (U.S. GAAP). Net assets, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Society and changes therein are classified and reported as follows:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Society. These net assets may be used at the discretion of the Society's management and the Board of Trustees. Included within net assets without donor restrictions are board-designated net assets of \$103,691 and \$99,814 as of June 30, 2023 and 2022, respectively.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Society or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Functional allocation of expenses

The costs of providing various programs and support services have been summarized on a functional basis in the consolidated statement of activities and in the consolidated statement of functional expenses. Accordingly, natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as time and effort and square footage.

Measure of operations

The statement of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Society's ongoing services and amounts appropriated and spent from the Society's investment account. Non-operating activities are limited to other investment activity not used in operations, pension related charges other than net periodic pension cost and other activities considered to be of a more unusual or nonrecurring nature.

Fair value of financial instruments

The carrying amounts reported on the consolidated balance sheet of the Society approximate their fair value.

Income taxes

The Society is comprised of tax-exempt organizations as defined by the Internal Revenue Code, though they are subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Society has processes presently in place to ensure the maintenance of their tax-exempt status; to identify and report unrelated income; to determine their filing and tax obligations in jurisdictions for which they have nexus; and to identify and evaluate other matters that may be considered tax positions. The Society has determined that there are no material uncertain tax positions that require recognition or disclosure in the consolidated financial statements.

COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

June 30, 2023 and 2022

2. Summary of significant accounting policies (continued)

Operating revenue and support

The Society recognizes contributions when cash, securities, or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Bequests are recognized when the Society receives notification that the probate court has declared the will valid. Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a 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. Conditional promises to give are contributions with a measurable performance or other barrier and a right of return. Contributions with conditions are not recognized until the conditions upon which they depend have been met.

A significant portion of the Society's revenue is derived from cost-reimbursable federal, state, and city contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Society has incurred expenditures in compliance with specific contract or grant provisions. Amounts received on cost reimbursement grants, prior to incurring qualifying expenditures, are reported as refundable advances in the consolidated balance sheet. Under the terms of funding agreements with various governmental agencies, certain reported expenditures are subject to audit and acceptance by the funding agencies. In the opinion of management, adjustments, if any, resulting from future audits, should not have a material effect on the Society's financial position or changes in its net assets.

In-kind contributions are reflected as contributions at fair value at date of donation and are reported as support without donor restrictions unless explicit donor stipulations specify how donated assets must be used. The Society did not recognize any in-kind donations during either of the years ended June 30, 2023 or 2022.

Several volunteers have made significant contributions of their time in furtherance of the Society's mission. These services are not reflected in the accompanying consolidated statement of activities because they do not meet the necessary criteria for recognition under U.S. GAAP.

Cash and cash equivalents

Cash consists of demand deposit accounts. Highly liquid financial instruments with maturities of three months or less that are held in the Society's investment portfolio are classified as investments and are not considered to be cash for the purposes of the consolidated statement of cash flows.

Investments

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the consolidated balance sheet. Investment fees are netted against the investment return.

COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

June 30, 2023 and 2022

2. Summary of significant accounting policies (continued)

Government grants and other receivables

Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give 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. Discount amortization is included in contribution revenue. Conditional promises to give are not included as support until the conditions are met. All government grants and other receivables are due within one year for the years ended June 30, 2023 and 2022.

Allowance for doubtful accounts

Receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of client balances by management. 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. As of both June 30, 2023 and 2022, management determined that an allowance was not necessary.

Beneficial interest in perpetual trusts

The Society has a beneficial interest in various perpetual trusts. The Society's interest in these trusts is reported as a contribution in the year received at their fair value. Changes in the fair value of the underlying assets are recognized as income or loss on the consolidated statement of activities.

Property and equipment

Property and equipment are stated at cost, if purchased, or at fair value at the date of the gift, if donated, less accumulated depreciation. The cost of property and equipment purchased in the amount of \$5 or more with an estimated useful life in excess of a year is capitalized. Depreciation is provided in amounts sufficient to amortize the cost of the property and equipment over the estimated useful lives on a straight-line basis.

Building	39 years
Building and improvements	3 - 15 years
Computer and office equipment	3 - 7 years

The cost of assets sold or otherwise disposed of and the accumulated depreciation thereon are eliminated from the accounts and the resulting gain or loss is reflected in income. Expenditures for maintenance and repairs are charged to expense as incurred; replacements and betterments that extend the useful lives are capitalized.

COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

*(in thousands)*

June 30, 2023 and 2022

2. Summary of significant accounting policies (continued)

Recently adopted accounting standards - Leases

During fiscal year 2023, the Society adopted Accounting Standards Update (ASU) No. 2016-02, Leases, which requires lessees to recognize material leases on the balance sheet and disclose key information about leasing arrangements. The Society elected not to restate the comparative period (fiscal year 2022). It also elected not to reassess at adoption; (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Society evaluated its leases and concluded that there are no material leases, which would require a right-of-use assets and related lease liabilities to be recorded.

The Society determines if an arrangement is or contains a lease at inception. Material leases are included in right-of-use (ROU) assets and lease liabilities in the balance sheet. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets also include prepaid or accrued rent. Operating lease expense would be recognized on a straight-line basis over the lease term. The Society does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less) and leases below the ROU assets capitalization policy of \$200. Instead, the lease payments of those leases are reported as software and equipment expenses and transportation expenses on a straight-line basis over the lease term.

Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain amounts in the 2022 consolidated financial statements have been reclassified to conform to the 2023 presentation.

COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

June 30, 2023 and 2022

3. Availability and liquidity

The following reflects the Society's financial assets as of June 30, 2023, reduced by funds not available for general use due to restrictions imposed by either the governing board and/or donor-imposed restrictions within one year of the consolidated balance sheet date. However, funds already appropriated from donor-restricted endowment for general expenditure within one year of the consolidated balance sheet date are not deemed unavailable.

The following represents the Society's financial assets at June 30, 2023:

Financial assets:	
Cash and cash equivalents	\$ 8,133
Investments	155,601
Government and other receivables	15,435
Beneficial interest in perpetual trusts	<u>41,146</u>
Total financial assets	<u>220,315</u>
Less funds unavailable for general expenditures within one year due to:	
Donor-imposed restrictions	83,906
Board designated net assets	103,691
Less: net assets with restrictions to be met in less than a year	<u>(15,584)</u>
Total funds unavailable for general expenditures within one year	<u>172,013</u>
Financial assets available for general expenditures within one year	<u>\$ 48,302</u>

The Society's operations are substantially supported by government grants and restricted contributions. Because donor-imposed restrictions or contractual obligations require resources to be used in a particular manner or in a future period, the Society must maintain sufficient resources to meet these responsibilities. Thus, financial assets may not be available for general expenditure within one year. As part of the Society's liquidity management, there is a policy in place to structure financial assets to be available as obligations become due. The Society's goal is generally to maintain financial assets to meet 90 days of operating expenses, approximately \$9,700. Cash in excess of daily requirements is invested in short-term investments.

In addition, the governing board has designated certain funds (see Note 11) that may be drawn upon in the event of financial distress or an immediate liquidity need resulting from events outside the typical life cycle of converting financial assets to cash or settling financial liabilities. The Society also had \$6,000 available on its line of credit to meet unanticipated liquidity needs at June 30, 2023 (see Note 8).

4. Risks and uncertainties

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash and cash equivalents, investments, and government grants and other receivables. The Society maintains its cash and cash equivalents in bank deposit accounts, the balances of which, at times, may exceed federally insured limits. Exposure to credit risk is reduced by placing such deposits in high quality financial institutions. The Society limits its exposure by performing periodic evaluations of the financial institution where it maintains its cash and cash equivalents. Investment securities are exposed to various risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements. Concentration of credit risk with respect to receivables is limited due to the fact that they are mainly derived from governmental agencies.

COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in thousands)

June 30, 2023 and 2022

5. Government grants and other receivables

Government grants and other receivables consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Government receivables:		
U.S. Department of Health and Human Services:		
Community Health Advocate	\$ 2,737	\$ 1,366
Navigator Program Grant	1,961	2,284
ABD Healthcare Program Grant	<u>911</u>	<u>1,163</u>
	5,609	4,813
Corporation for National and Community Service:		
RSVP Program	155	163
New York State Department of Health:		
ICAN Healthcare Program Grant	2,901	2,170
New York City DOHMH:		
MCCAP and Access Health NYC grant	1,601	1,028
New York State Department of Financial Services:		
EDCAP Program	1,931	41
New York State Department of State:		
EDCAP Program	500	719
Other government receivables	<u>881</u>	<u>771</u>
Total government receivables	13,578	9,705
Non-government receivables	<u>1,857</u>	<u>2,996</u>
	<u>\$ 15,435</u>	<u>\$ 12,701</u>

At both June 30, 2023 and 2022, all receivables were expected to be collected within one year.



COMMUNITY SERVICE SOCIETY OF NEW YORK AND AFFILIATES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(in thousands)

June 30, 2023 and 2022

6. Fair value measurements

The Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Society has the ability to access at the measurement date;

Level 2 - Inputs other than quoted prices that are observable for the assets or liability either directly or indirectly, including inputs that are not considered to be active;

Level 3 - Inputs that are unobservable.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, specific and broad criteria data, liquidity statistics, and other factors.

An investment's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. However, the determination of what constitutes "observable" requires significant judgment by the Society. The Society considers observable data to be that market data which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, provided by multiple, independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the pricing transparency of the investment and does not necessarily correspond to the Society's perceived risk of that investment.

The following is a description of the valuation methodologies used for assets measured at fair value.

**Money market funds, fixed-income securities and equities** - Valued at the closing price reported on the active market on which the individual securities are traded.

**Mutual funds** - Valued at the net asset value (NAV) of shares held at year end as determined by the managers of the underlying funds.

**Alternative investments and private equities** - There are no observable inputs and certain of the underlying investments are not publicly traded and there is no secondary market for such funds. These mutual funds are valued by the managers of the underlying funds at the NAV of shares held by CSS at year end or other pricing methodologies.

**Beneficial interest in perpetual trusts** - Beneficial interest in perpetual trusts is valued at fair value of the Society's beneficial interest in the fair value of underlying assets.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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June 30, 2023 and 2022

6. Fair value measurements (continued)

Investment securities are stated at fair value and are summarized as follows at June 30:

	2023		2022	
	Cost	Fair value	Cost	Fair value
Money market funds	\$ 11,851	\$ 11,851	\$ 8,499	\$ 8,499
Fixed income:				
U.S. government and agency	4,118	3,789	5,927	5,553
Corporate bonds	1,428	1,272	2,704	2,422
Mutual funds:				
Equity	74,505	101,894	77,872	92,147
Fixed income	7,260	6,559	11,564	10,501
Alternative investment	6,000	5,770	7,585	6,933
U.S. equity	8,860	9,854	9,501	8,783
Non-U.S. equity	9,250	10,638	9,011	8,772
Private equity	2,997	3,974	1,611	2,390
	<u>\$ 126,269</u>	<u>\$ 155,601</u>	<u>\$ 134,274</u>	<u>\$ 146,000</u>

The classification of the Society's investment securities at fair value is as follows at June 30, 2023:

	Level 1	Level 2	Level 3	Total
Money market funds	\$ 11,851	\$	\$	\$ 11,851
Fixed income:				
U.S. government and agency	3,789			3,789
Corporate bonds	1,272			1,272
Mutual funds:				
Equity	101,894			101,894
Fixed income	6,559			6,559
Alternative investment			5,770	5,770
U.S. equity	9,854			9,854
Non-U.S. equity	10,638			10,638
Private equity			3,974	3,974
	<u>145,857</u>		<u>9,744</u>	<u>155,601</u>
Beneficial interest in perpetual trusts			41,146	41,146
	<u>\$ 145,857</u>	<u>\$</u>	<u>\$ 50,890</u>	<u>\$ 196,747</u>

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June 30, 2023 and 2022

6. Fair value measurements (continued)

The classification of the Society's investment securities at fair value is as follows at June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 8,499	\$	\$	\$ 8,499
Fixed income:				
U.S. government and agency	5,553			5,553
Corporate bonds	2,422			2,422
Mutual funds:				
Equity	92,147			92,147
Fixed income	10,501			10,501
Alternative investment			6,933	6,933
U.S. equity	8,783			8,783
Non-U.S. equity	8,772			8,772
Private equity			2,390	2,390
	<u>136,677</u>		<u>9,323</u>	<u>146,000</u>
Beneficial interest in perpetual trusts			<u>38,816</u>	<u>38,816</u>
	<u>\$ 136,677</u>	<u>\$</u>	<u>\$ 48,139</u>	<u>\$ 184,816</u>

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6. Fair value measurements (continued)

The table below sets forth a summary of changes in the fair value of the level 3 assets for the year ended June 30, 2023:

	BlackRock Strategic Income Opprtnts PTF Inst	Permanent Portfolio Fund	Wilshire Private Equity Annual Fund Series L.P.	Templeton Global Bond Fund	Total	Beneficial Interest in Perpetual	Total
Balance, beginning of year	\$ 6,933	\$ 2,390	\$ 9,323	\$ 38,816	\$ 48,139		
Purchases		1,107	1,107		1,107		1,107
Sales	(1,518)		(1,518)		(1,518)		(1,518)
Fees		(27)	(27)		(27)		(27)
Interest/dividend income	17	2	19		19		19
Unrealized gain/(loss)	422	198	620		2,950	2,330	2,950
Realized gain/(loss)	(84)	304	220		220		220
Net change	(1,163)	1,584	421		2,330		2,751
Balance, end of year	\$ 5,770	\$ 3,974	\$ 9,744	\$ 41,146	\$ 50,890		

The table below sets forth a summary of changes in the fair value of the level 3 assets for the year ended June 30, 2022:

	BlackRock Strategic Income Opprtnts PTF Inst	Permanent Portfolio Fund	Wilshire Private Equity Annual Fund Series L.P.	Templeton Global Bond Fund	Total	Beneficial Interest in Perpetual	Total
Balance, beginning of year	\$ 327	\$ 3,338	\$ 1,449	\$ 5,114	\$ 46,585		\$ 51,699
Purchases	47	4,472	285	4,804	4,804		4,804
Sales	(359)		(359)		(359)		(359)
Fees		(21)	(21)		(21)		(21)
Interest/dividend income	6	28	2	36	36		36
Unrealized gain/(loss)	(17)	(905)	673	(249)	(7,769)	(7,769)	(8,018)
Realized gain/(loss)	(4)		2	(2)	(2)		(2)
Net change	(327)	3,595	941	4,209	(7,769)		(3,560)
Balance, end of year	\$ 6,933	\$ 2,390	\$ 9,323	\$ 38,816	\$ 48,139		

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6. Fair value measurements (continued)

The following table describes the investments that are included in level 3 of the fair value hierarchy.

Fund name	Redemption period	Notice period	Description of fund	2023	2022
Permanent Portfolio Fund			The fund seeks to preserve and increase long-term purchasing power value by investing fixed percentages in gold, silver, Swiss Franc assets, stocks of real estate and natural resource companies, aggressive growth stocks, and US Treasury securities.	\$ 5,770	\$ 6,933
Wilshire Private Equity Annual Fund Series, L.P.			<p>The Fund is designed to be a turnkey private equity solution consisting of 6-12 primary fund investments and up to 6 secondary fund investments and direct co-investments diversified by sector and geography. The Fund will be structured to be diversified by sector, industry and geography. Each series containing 6-12 primary fund investments and up to 6 secondary fund investments and direct co-investments would be expected to be in excess of 60 underlying investment positions. We also believe in the importance of vintage year diversification and believe investors can achieve this objective by investing in future annual series offerings.</p> <p>The Fund will follow a legacy of fully discretionary private markets investment vehicles that Wilshire has sponsored. The Fund will seek to develop a diversified portfolio of private equity investments composed primarily of private equity partnerships targeting long-term net returns that are expected to exceed those available through a diversified portfolio of publicly-traded equity securities. The Fund will focus on underserved and niche markets and may include select transactions that could further diversify the portfolio and may generate incremental returns. The fund aims to generate strong risk-adjusted returns on behalf of its investors.</p>	3,974	2,390
				<u>\$ 9,744</u>	<u>\$ 9,323</u>

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6. Fair value measurements (continued)

The following schedule summarizes the net investment return. The classification of the investment return is reported in the consolidated statement of activities.

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 2,505	\$ 2,250
Net realized and unrealized gains (losses) on investments	20,695	(33,261)
Perpetual trust investment income	<u>1,880</u>	<u>2,431</u>
	<u>\$ 25,080</u>	<u>\$ (28,580)</u>

Consistent with the Society's spending policy during the years ended June 30, 2023 and 2022, \$12,500 \$10,000 was appropriated and spent, respectively.

7. Property and equipment

A summary of property and equipment is as follows at June 30:

	<u>2023</u>	<u>2022</u>
Land	\$ 5,035	\$ 5,035
Building and improvements	32,441	32,415
Computer and office equipment	<u>2,166</u>	<u>2,155</u>
	39,642	39,605
Less accumulated depreciation	<u>11,371</u>	<u>10,056</u>
	<u>\$ 28,271</u>	<u>\$ 29,549</u>

Depreciation expense for the years ended June 30, 2023 and 2022 was \$1,315 and \$1,444, respectively.

8. Line of credit

The Society has a \$6,000 revolving line of credit with a financial institution that bears interest at LIBOR plus 0.95% per annum. The loan is secured by certain investments and expires on November 10, 2024.

There were no outstanding balances as of June 30, 2023 and 2022, and no interest expense was incurred during either of the years then ended.

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(in thousands)

June 30, 2023 and 2022

9. Net assets with donor restrictions and net assets released from donor restrictions

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

	<u>2023</u>	<u>2022</u>
Net assets with donor restrictions:		
Subject to expenditure for specified purpose:		
Direct program services	\$ 13,899	\$ 12,736
Policy, research and advocacy	1,191	585
Program administration	<u>494</u>	<u>694</u>
	<u>15,584</u>	<u>14,015</u>
Donor-imposed restricted endowment funds	<u>27,176</u>	<u>24,203</u>
Beneficial interest in perpetual trusts	<u>41,146</u>	<u>38,816</u>
Net assets with donor restrictions	<u>\$ 83,906</u>	<u>\$ 77,034</u>

Net assets released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by donors during the fiscal years ended June 30, 2023 and 2022 were as follows:

	<u>2023</u>	<u>2022</u>
Direct service programs	\$ 27,973	\$ 23,589
Policy, research and advocacy	1,686	1,746
Management and general	<u>283</u>	<u>153</u>
	<u>\$ 29,942</u>	<u>\$ 25,488</u>



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10. Endowment funds

The Society's endowment fund consists of both donor-restricted endowment funds which are classified and reported based on the existence or absence of donor-imposed restrictions and board-designated endowment funds. Board-designated endowment funds are portions of net assets without donor restriction which are designated or earmarked for long-term investment and functions as an endowment (Quasi-endowment). Any donated gift instructions received for particular purpose that the Society is unable to spend in the near term may be designated by the board for long-term investment and recognized as net assets with donor restrictions until those funds are used.

The Society's Board of Trustees is responsible for the long-term investment policies of the endowment funds, unless otherwise specified by the donor.

The Society has adopted the New York Prudent Management of Institutional Funds Act (NYPMIFA). As a result of this interpretation, the Society classifies endowment funds with donor-imposed restrictions as net assets with donor restrictions and income generated from those assets are time restricted until the Board of trustees appropriates them for expenditure. Most of those funds are also subject to purpose restrictions that may be met before they are released from restrictions.

NYPMIFA moves away from the "historic dollar value" standard and permits charities to apply a spending policy to endowments based on certain specified standards of prudence. The Society is now governed by the NYPMIFA spending policy, which establishes a maximum prudent spending limit of 7% of the average of its previous five years' balance.

The Society's Board of Trustees has interpreted this change of policy as not requiring the maintenance of purchasing power of the original gift value contributed to the endowment fund, unless a donor stipulated to the contrary. As a result of this interpretation, when reviewing donor-restricted endowment funds, the Society considers a fund to be underwater if the fair market value of the fund is less than its original initial value of gifts donated, the original value of subsequent gifts added to the fund and or any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. NYPMIFA has permitted spending from underwater funds in accordance with prudent measures as required under the law.

In addition to NYPMIFA prudent measures, the Society consider the following factors when determining to appropriate or accumulate donor-restricted endowment funds:

- The purpose of the donor restrictions
- Anticipated income and appreciation of the assets
- Preservation and duration of the fund
- General economic conditions
- The availability of other resources
- The investment policies of the Society

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10. Endowment funds (continued)

Return objectives, strategies employed and spending policy

The overall financial objective of the endowment is to provide the operations of the Society with a relatively stable stream of spendable revenue that increases over time and matches the general rate of inflation, as measured by the Consumer Price Index.

The long-term investment objective for the endowment fund is to attain a total return (net of investment management fees) of at least 6% per year in excess of inflation. This objective assumes that withdrawals from the Fund will average, long term, no more than 6% of the Fund's value over time.

Composition of endowment funds

Endowment funds consist of the following at June 30:

	<u>2023</u>	<u>2022</u>
Donor-restricted endowment funds:		
Income restricted for specific purposes	\$ 4,741	\$ 4,741
Income restricted for program administration	455	455
Income available for general purposes	<u>23,899</u>	<u>23,899</u>
	29,095	29,095
Temporary deficiency due to market conditions	<u>(1,919)</u>	<u>(4,892)</u>
Total donor-restricted endowment funds	<u>27,176</u>	<u>24,203</u>
Board-designated endowment funds:		
Quasi-endowment fund	<u>97,476</u>	<u>93,699</u>
Total endowment funds	<u>\$ 124,652</u>	<u>\$ 117,902</u>

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10. Endowment funds (continued)

Activity within endowment funds

Changes in endowment net assets for the year ended June 30, 2023 are as follows:

	Board-designated endowment funds without donor restrictions	Endowment funds with donor restrictions	Total
Endowment net assets, beginning of year	\$ 93,699	\$ 24,203	\$ 117,902
Investment return:			
Interest and dividend income	1,586	409	1,995
Realized gains	443	115	558
Unrealized gains	11,310	2,922	14,232
Total investment return	13,339	3,446	16,785
Appropriation of endowment income for expenditure	(9,562)	(473)	(10,035)
Endowment net assets, end of year	<u>\$ 97,476</u>	<u>\$ 27,176</u>	<u>\$ 124,652</u>

Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	Board-designated endowment funds without donor restrictions	Endowment funds with donor restrictions	Total
Endowment net assets, beginning of year	\$ 107,797	\$ 29,095	\$ 136,892
Investment return:			
Interest and dividend income	1,554	419	1,973
Realized gains	3,150	850	4,000
Unrealized losses	(18,802)	(5,074)	(23,876)
Total investment return	(14,098)	(3,805)	(17,903)
Appropriation of endowment income for expenditure		(1,087)	(1,087)
Endowment net assets, end of year	<u>\$ 93,699</u>	<u>\$ 24,203</u>	<u>\$ 117,902</u>

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10. Endowment funds (continued)

From time to time, the fair value of assets associated with endowment funds may fall below the level that UPMIFA requires to retain as a fund of perpetual duration. According to generally accepted accounting principles (U.S. GAAP), deficiencies of this nature are reported in net assets with donor restrictions. During fiscal years ended June 30, 2023 and 2022, those deficiencies resulted from unfavorable market fluctuations and continued appropriation for certain programs that were deemed prudent by the Board. Subsequent gains that restore the fair value of assets of the endowment funds to the required level will be classified as an increase in net assets with donor restrictions.

11. Board designated net assets

The Society's Board of Trustees has designated from net assets without donor restrictions for the following purposes as of June 30:

	2023	2022
Quasi-endowment fund	\$ 97,476	\$ 93,699
Operating reserve	5,000	5,000
Other	1,215	1,115
	<u>\$ 103,691</u>	<u>\$ 99,814</u>

12. Employee benefit plans

Pension plan and other post-retirement benefits

The Society has a noncontributory defined benefit pension plan (DB plan) covering substantially all employees. The Society also maintains life insurance benefits and contributory group medical benefits for full-time employees (i.e., those who worked 30 hours or more per week) employed prior to July 1, 1978 who retired at or after age 55 and were not covered by the terms of the collective bargaining agreement providing health benefits through the 1199 National Benefit Fund. The Society is required to accrue the estimated cost of these retiree benefit payments during the employees' active service period. The Society pays the cost of post-retirement benefits as incurred.

Effective July 1, 2021, the Society amended the DB Plan to freeze accruals under the traditional and cash balance formulas. The impact on the Society was a \$7,393 positive change in unrestricted net assets, which will be amortized over 10 years at approximately \$801 per annum.

The following table summarizes the DB Plan's funded status at June 30:

	2023	2022
Projected benefit obligation	\$ (46,728)	\$ (48,508)
Fair value of Plan assets	46,667	42,436
Funded status - recognized in the consolidated balance sheet	<u>\$ (61)</u>	<u>\$ (6,072)</u>

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12. Employee benefit plans (continued)

The following table provides information about the weighted average assumptions for the pension benefits as of June 30:

	Pension cost		Pension obligations	
	2023	2022	2023	2022
Weighted-average assumptions as of June 30:				
Discount rate	4.50%	2.75%	5.00%	4.50%
Expected return on Plan assets	7.00%	7.00%	N/A	N/A
Rate of compensation increase	4.50%	4.50%	4.50%	4.50%

The following table provides information about the contributions to the Plans and benefits paid for the years ended June 30:

	2023			2022		
	Pension benefits	Other benefits	Total	Pension benefits	Other benefits	Total
Society's contributions	\$ 1,200	\$	\$ 1,200	\$ 1,200	\$ 0.3	\$ 1,200
Benefits paid	\$ 2,337	\$	\$ 2,337	\$ 2,094	\$ 0.3	\$ 2,094

Other benefits plan represented medical and life postretirement benefits. As of June 30, 2022, there were no longer any participants in the Plan. The Plan was terminated as of June 30, 2022.

The accumulated benefit obligation for the defined benefit pension plan was \$46,728 and \$48,508 at June 30, 2023, and 2022, respectively.

The Mortality Table was changed from the RP2006 with Generational Projection Scale MP-2020 as of June 30, 2022 to the RP2006 with Generational Projection Scale MP-2021 as of June 30, 2023.

An assumed long-term rate of return of 7.00% for both the years ended June 30, 2023 and 2022 was used for pension benefits. In developing this rate, the Society evaluated input from its actuaries on asset class return expectations and long-term inflation.

For measurement purposes with respect to other benefits, a 4.90% and 5.10% health care cost trend rate was assumed for 2023 and 2022, respectively.

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12. Employee benefit plans (continued)

Amounts recognized as changes in net assets, but not yet included in net periodic benefit cost, consist of following at June 30, 2023:

	<u>Pension benefits</u>	<u>Other benefits</u>	<u>Total</u>
Beginning balance of cumulative pension related changes other than net periodic pension cost	\$ (2,437)	\$ 243	\$ (2,194)
Changes:			
Amortization gain	450		450
Prior service credit	(802)		(802)
Asset gain	4,879		4,879
Other		(243)	(243)
Net change	<u>4,527</u>	<u>(243)</u>	<u>4,284</u>
Ending balance of cumulative pension related changes other than net periodic pension cost	<u>\$ 2,090</u>	<u>\$</u>	<u>\$ 2,090</u>

Amounts recognized as changes in net assets, but not yet included in net periodic benefit cost, consist of following at June 30, 2022:

	<u>Pension benefits</u>	<u>Other benefits</u>	<u>Total</u>
Beginning balance of cumulative pension related changes other than net periodic pension cost	\$ (8,353)	\$ 243	\$ (8,110)
Changes:			
Amortization gain (loss)	1,004	(92)	912
Prior service (credit) cost	(802)	242	(560)
Asset gain	5,714	43	5,757
Plan termination recognition		(193)	(193)
Net change	<u>5,916</u>	<u></u>	<u>5,916</u>
Ending balance of cumulative pension related changes other than net periodic pension cost	<u>\$ (2,437)</u>	<u>\$ 243</u>	<u>\$ (2,194)</u>

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12. Employee benefit plans (continued)

The components of net pension cost and net post-retirement benefit cost are as follows for the years ended June 30:

	2023		
	Pension benefits	Other benefits	Total
Service costs	\$ 855	\$	\$ 855
Interest cost	2,112		2,112
Expected return on assets	(2,899)		(2,899)
Net amortization and deferral	450		450
Amortization of prior services credit	(802)		(802)
Net change	<u>\$ (284)</u>	<u>\$</u>	<u>\$ (284)</u>
	2022		
	Pension benefits	Other benefits	Total
Service costs	\$ 1,320	\$	\$ 1,320
Interest cost	1,621	1	1,622
Expected return on assets	(3,263)		(3,263)
Net amortization and deferral	1,005	(92)	912
Amortization of prior service (credit)/cost	(802)	242	(559)
Plan termination recognition		(193)	(193)
Net change	<u>\$ (119)</u>	<u>\$ (42)</u>	<u>\$ (161)</u>

The future expected benefits to be paid for the Pension benefits are as follows for the years ended June 30:

	Pension benefits
2024	\$ 2,707
2025	2,712
2026	2,803
2027	2,890
2028	2,928
2029 - 2033	<u>15,131</u>
	<u>\$ 29,171</u>

403(b) Plan

In addition, the Society has established a 403(b) plan for all employees; however, only non-union employees are eligible to participate for purposes of matching contributions. The Society matches employee contributions to the Plan at a rate of 50% up to the first 6% of each employee's salary. Salary deferrals in excess of \$12 are not matched. The Society's contributions to the Plan were \$190 and \$188 during the years ended June 30, 2023 and 2022, respectively.



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13. Commitments and contingencies

The Society leases office space in Staten Island, NY for one of its programs. This office lease will expire on September 30, 2025. In addition, the Society leases various equipment and automobiles under operating leases which expire through May 2025. These leases are below the Society's ROU assets capitalization policy of \$200. Rent expense for these leases was \$117 and \$136 for the years ended June 30, 2023 and 2022, respectively.

Minimum annual rental commitments for the remaining term of the Society's noncancelable operating leases are as follows:

Year ending June 30:		
2024	\$	90
2025		75
2026		<u>11</u>
	\$	<u>176</u>

14. Litigation

The Society is involved in legal matters arising in the normal course of its operations. In the opinion of management, the outcome of any pending claims will not have a material effect on the Society's financial position or results of operations.

15. Significant source of support

The Society received approximately 79% and 86% of its operating revenue and support, excluding investment returns, for the years ended June 30, 2023 and 2022, respectively, from government agencies. Amounts due the Society from these agencies were \$13,578 and \$9,705 at June 30, 2023 and 2022, respectively. Contracts with the funding agencies were renewed at comparable amounts for the upcoming fiscal year.

16. Collective bargaining agreement

Certain employees are covered by a collective bargaining agreement. The agreement with 1199 SEIU United Healthcare Workers East is effective through December 31, 2023. Payments made to the National Benefits fund were \$1,168 and \$1,009 for the years ended June 30, 2023 and 2022, respectively.

17. Subsequent events

Subsequent events have been evaluated through November 27, 2023, which is the date the consolidated financial statements were available to be issued. All subsequent events requiring recognition or disclosure as of June 30, 2023 have been incorporated into these consolidated financial statements. The Society is not aware of any additional material subsequent events.