

GOOD SHEPHERD SERVICES



**Financial Statements
(Together with Independent Auditors' Report)**

YEARS ENDED JUNE 30, 2022 AND 2021

GOOD SHEPHERD SERVICES
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2022 AND 2021

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Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 Good Shepherd'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Good Shepherd'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.

Mayer Hoffman McCann CPAs

New York, NY
March 21, 2023

GOOD SHEPHERD SERVICES
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
Cash and cash equivalents (Notes 2E and 15)	\$ 1,155,922	\$ 4,226,627
Investments (Notes 2F, 6 and 12)	67,041,763	80,364,803
Client service receivables (Notes 2I, 2L and 4)	40,520,951	33,454,058
Pledges receivable, net (Notes 2C, 2L and 5)	10,122,393	13,800,289
Loan receivable (Note 2G)	1,475,779	1,495,031
Prepaid expenses and other assets	2,716,316	1,557,771
Property and equipment, net (Notes 2H and 7)	<u>19,277,186</u>	<u>19,941,072</u>
TOTAL ASSETS	<u>\$ 142,310,310</u>	<u>\$ 154,839,651</u>
LIABILITIES		
Accounts payable and accrued expenses (Notes 2M and 13)	\$ 6,791,309	\$ 6,905,198
Accrued salaries and payroll taxes	2,150,093	1,859,602
Accrued vacation	3,363,828	3,374,391
Deferred revenue and due to funder (Notes 2I and 14A)	1,514,554	928,961
Paycheck Protection Program loan payable (Note 9)	10,000,000	10,000,000
Long-term obligations, net (Notes 2K and 8)	<u>1,710,542</u>	<u>3,160,443</u>
TOTAL LIABILITIES	<u>25,530,326</u>	<u>26,228,595</u>
COMMITMENTS AND CONTINGENCIES (Note 14)		
NET ASSETS (Note 2B)		
Without donor restrictions:		
Board designated reserves for endowment (Notes 2B, 3 and 12)	61,180,274	67,044,702
Net investment in property and equipment	<u>17,566,644</u>	<u>16,780,629</u>
Total without donor restrictions	78,746,918	83,825,331
With donor restrictions (Notes 11 and 12)	<u>38,033,066</u>	<u>44,785,725</u>
TOTAL NET ASSETS	<u>116,779,984</u>	<u>128,611,056</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 142,310,310</u>	<u>\$ 154,839,651</u>

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

GOOD SHEPHERD SERVICES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	Year Ended June 30, 2022			Year Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total 2022	Without Donor Restrictions	With Donor Restrictions	Total 2021
OPERATING SUPPORT AND REVENUE (Note 2N)						
Care and maintenance contracts (Note 2I)	\$ 27,563,525	\$ -	\$ 27,563,525	\$ 29,040,813	\$ -	\$ 29,040,813
Grants from government agencies (Note 2I)	51,598,166	-	51,598,166	43,239,905	-	43,239,905
Medicaid (Note 2I)	9,887,539	-	9,887,539	10,286,480	-	10,286,480
Private grants (Note 2C)	666,954	13,716,974	14,383,928	4,072,701	13,551,766	17,624,467
Special events (net of direct expenses of \$605,256 and \$56,089 in 2022 and 2021, respectively)	1,254,491	-	1,254,491	763,565	-	763,565
Interest and dividends (Notes 2F and 6)	1,174,962	449,432	1,624,394	839,890	492,661	1,332,551
Miscellaneous revenue and other fees (Note 14C)	1,589,525	-	1,589,525	1,299,176	-	1,299,176
Net assets released from restrictions (Note 11)	17,877,495	(17,877,495)	-	11,121,030	(11,121,030)	-
TOTAL OPERATING SUPPORT AND REVENUE	111,612,657	(3,711,089)	107,901,568	100,663,560	2,923,397	103,586,957
OPERATING EXPENSES (Note 2J)						
Program Services:						
Foster care and residential services	44,339,415	-	44,339,415	44,116,535	-	44,116,535
Community-based programs	45,709,373	-	45,709,373	39,714,973	-	39,714,973
Training services	564,054	-	564,054	761,732	-	761,732
Total Program Services	90,612,842	-	90,612,842	84,593,240	-	84,593,240
Supporting Services:						
Management and general	16,639,910	-	16,639,910	17,310,812	-	17,310,812
Fundraising	1,240,659	-	1,240,659	1,586,706	-	1,586,706
Total Supporting Services	17,880,569	-	17,880,569	18,897,518	-	18,897,518
TOTAL OPERATING EXPENSES	108,493,411	-	108,493,411	103,490,758	-	103,490,758
Change in Net Assets From Operations	3,119,246	(3,711,089)	(591,843)	(2,827,198)	2,923,397	96,199
NONOPERATING ACTIVITIES (Note 2N)						
Endowment contributions (Notes 2C and 12)	-	72,177	72,177	-	136,575	136,575
Realized/unrealized (loss) gain on investments, net (Notes 2F and 6)	(8,197,659)	(3,113,747)	(11,311,406)	8,192,344	4,837,487	13,029,831
TOTAL NONOPERATING ACTIVITIES	(8,197,659)	(3,041,570)	(11,239,229)	8,192,344	4,974,062	13,166,406
CHANGES IN NET ASSETS						
Net assets - beginning of year	(5,078,413)	(6,752,659)	(11,831,072)	5,365,146	7,897,459	13,262,605
NET ASSETS - END OF YEAR	83,825,331	44,785,725	128,611,056	78,460,185	36,888,266	115,348,451
	\$ 78,746,918	\$ 38,033,066	\$ 116,779,984	\$ 83,825,331	\$ 44,785,725	\$ 128,611,056

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

GOOD SHEPHERD SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022
(WITH COMPARATIVE TOTALS FOR 2021)

	For the Year Ended June 30, 2022									
	Program Services					Supporting Services				
	Foster Care and Residential Services	Community Based Programs	Training Services	Total Program Services	Management and General	Fundraising	Supporting Services	Total 2022	Total 2021	
Salaries	\$ 21,183,503	\$ 24,345,762	\$ 346,522	\$ 45,875,787	\$ 7,752,416	\$ 789,434	\$ 8,541,850	\$ 54,417,637	\$ 54,217,166	
Payroll taxes and employee benefits (Note 13)	4,740,433	5,298,321	100,540	10,139,294	1,876,563	181,993	2,058,556	12,197,850	13,803,692	
Total Salaries and Related Costs	25,923,936	29,644,083	447,062	56,015,081	9,628,979	971,427	10,600,406	66,615,487	68,020,858	
Foster boarding home payments	4,558,599	-	-	4,558,599	-	-	-	4,558,599	5,006,285	
Children:										
Allowance	15,474	1,251	-	16,725	-	-	-	16,725	25,914	
Activities and program supplies	149,824	1,128,581	1,706	1,280,111	1,918	29	1,947	1,282,058	493,460	
Tuition	24,169	119,681	-	143,850	-	-	-	143,850	31,523	
Bedding, linens and uniforms	4,023	5,265	-	9,288	-	-	-	9,288	13,973	
Clothing	101,623	449,898	-	551,521	1,074	1,534	2,608	554,129	406,946	
Purchase of health services	338,584	-	-	338,584	-	-	-	338,584	864,548	
Food	1,054,805	968,087	5	2,022,897	29,393	14,709	44,102	2,066,999	1,270,078	
Supplies	612,290	1,898,734	55	2,511,079	446,321	85,308	531,629	3,042,708	2,224,650	
Medical supplies and equipment	7,588	20	-	7,608	-	-	-	7,608	103,253	
Rent (Notes 2M and 14B)	1,784,224	1,109,935	-	2,894,159	264,678	2,717	287,395	3,161,554	2,714,415	
Utilities	415,715	276,372	-	692,087	53,849	754	54,603	746,690	736,137	
Transportation	373,211	186,953	-	560,164	76,145	2,749	78,894	639,058	285,454	
Telephone	566,712	557,166	1,705	1,125,583	201,632	7,362	208,994	1,334,577	1,116,067	
Postage	4,835	2,499	9	7,343	4,402	1,514	5,916	13,259	10,597	
Dues, license and permits	229,741	188,408	996	419,145	613,314	138,267	751,581	1,170,726	488,054	
Legal, auditing and advisory fees	496,306	802,216	-	1,298,522	637,298	328,901	966,199	2,264,721	1,520,921	
Insurance	289,025	1,210,595	1,194	1,500,814	127,625	1,899	129,524	1,630,338	1,627,569	
Purchased services	2,246,005	1,351,811	96,565	3,694,381	1,578,480	154,144	1,732,624	5,427,005	3,523,488	
Related school expenses	64,461	-	-	64,461	3,723	55	3,778	68,239	22,442	
Stipend	398,179	1,827,997	-	2,226,176	156,725	9,136	165,861	2,392,037	1,665,512	
Repairs and maintenance	2,447,402	1,694,316	7,575	4,149,293	533,599	7,938	541,537	4,690,830	4,719,795	
Office printing supplies	51,832	130,567	-	182,399	39,939	38,267	78,206	260,605	360,734	
Subscription/publication	4,606	17,428	1,478	23,512	127,984	6,697	134,681	158,193	170,697	
Staff training/tuition	20,295	98,380	2,232	120,907	25,390	378	25,768	146,675	197,585	
Conference expense	6,570	17,934	-	24,504	7,092	5,085	12,177	36,681	19,163	
Public/recruitment	104,741	176,195	-	280,936	24,738	909	25,647	306,583	161,455	
Miscellaneous expenses	511,731	770,226	3,472	1,285,431	931,671	49,416	981,087	2,266,516	2,170,044	
Other than Personnel Costs	16,882,570	14,990,517	116,992	31,990,079	5,886,990	857,768	6,744,758	38,734,837	31,950,759	
TOTAL EXPENSES BEFORE INTEREST, FEES AND DEPRECIATION AND AMORTIZATION	42,806,506	44,634,600	564,054	88,005,160	15,515,969	1,829,195	17,345,164	105,350,324	99,971,617	
Interest expense and fees (Notes 2K, 8 and 10)	32,670	19,169	-	51,839	260,669	3,878	264,547	316,386	215,335	
Depreciation and amortization expense (Note 7)	1,500,239	1,055,604	-	2,555,843	863,272	12,842	876,114	3,431,957	3,359,895	
	1,532,909	1,074,773	-	2,607,682	1,123,941	16,720	1,140,661	3,748,343	3,575,230	
Less: Cost of direct benefit to donors	-	-	-	-	-	605,256	605,256	605,256	56,089	
TOTAL EXPENSES	\$ 44,339,415	\$ 45,709,373	\$ 564,054	\$ 90,612,842	\$ 16,639,910	\$ 1,240,659	\$ 17,880,569	\$ 108,493,411	\$ 103,490,758	

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

Salaries
Payroll taxes and employee benefits (Note 13)

TOTAL EXPENSES BEFORE INTEREST, FEES AND DEPRECIATION AND AMORTIZATION

Less: Cost of direct benefit to donors

TOTAL EXPENSES

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

GOOD SHEPHERD SERVICES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ (11,831,072)	\$ 13,262,605
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization expense	3,431,957	3,359,895
Endowment contributions	(72,177)	(136,575)
Amortization of deferred financing costs	32,441	32,440
Decrease in unamortized discount of pledges receivable	(336,123)	(360,259)
Unrealized loss (gain) on investments	13,317,721	(12,392,715)
Realized gain on investments	(2,063,611)	(691,731)
Change in allowance for uncollectible pledges	-	254,484
Sub-total	2,479,136	3,328,144
Changes in operating assets and liabilities:		
(Increase) Decrease in assets:		
Client service receivables	(7,066,893)	(6,799,466)
Pledges receivable	4,014,019	1,340,158
Loan receivable	19,252	279,140
Prepaid expenses and other assets	(1,158,545)	(43,246)
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	(113,889)	1,311,445
Deferred revenue and due to funder	585,593	(474,673)
Accrued salaries and payroll taxes	290,491	(620,606)
Accrued vacation	(10,563)	360,621
Net Cash Used in Operating Activities	<u>(961,399)</u>	<u>(1,318,483)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(2,768,071)	(5,168,903)
Purchases of investments	(3,210,604)	(9,011,119)
Proceeds from sales of investments	5,279,534	1,451,573
Net Cash Used in Investing Activities	<u>(699,141)</u>	<u>(12,728,449)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment contributions	72,177	136,575
Proceeds from Paycheck Protection Program loan payable	-	10,000,000
Repayments of long-term obligations	(1,482,342)	(546,463)
Net Cash (Used in) Provided by Financing Activities	<u>(1,410,165)</u>	<u>9,590,112</u>
DECREASE IN CASH AND CASH EQUIVALENTS	(3,070,705)	(4,456,820)
Cash and cash equivalents - beginning of the year	4,226,627	8,683,447
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,155,922</u>	<u>\$ 4,226,627</u>
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	<u>\$ 152,556</u>	<u>\$ 106,348</u>

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

GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 1 – ORGANIZATION AND NATURE OF ACTIVITIES

Good Shepherd Services ("Good Shepherd") is organized under the Not-For-Profit Corporation Law of the State of New York. Good Shepherd was granted exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code ("IRC").

Good Shepherd is a leading youth and family development agency with over 90 programs serving 33,860 children, youth and family members in New York City's most under-resourced communities. All of Good Shepherd's programs are united by a common goal: to create opportunities that help participants realize their fullest potential at home, at school and in their community. Good Shepherd operates a 46-bed residential treatment and diagnostic center; ten Administration for Children Services-funded family counseling preventive programs; six justice initiatives aimed at helping court-involved youth reintegrate into their communities deterring re-entry into detention; three anti-gun violence programs; a non-secure detention facility; a non-secure placement facility; family foster care; a youth reception center; over 25 afterschool programs; and supportive housing for young people who have aged out of care, including the Chelsea Foyer and McLaughlin East Harlem Residence. In addition, Good Shepherd is one of the largest providers of academic support programming in New York City.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. ***Basis of Accounting*** – Good Shepherd's financial statements have been prepared on the accrual basis of accounting. Good Shepherd adheres to accounting principles generally accepted in the United States of America ("U.S. GAAP").
- B. ***Net Assets*** – Good Shepherd's net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of Good Shepherd and changes therein are classified and reported as follows.
- Net assets without donor restrictions – represents resources available for support of Good Shepherd's operations over which the Board of Directors (the "Board") has discretionary control. The Board requires by resolution that any net assets without donor restrictions in excess of net investment in property and equipment be reserved for endowment purposes.
 - Net assets with donor restrictions – consist of contributions and other inflows of assets whose use by Good Shepherd is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of Good Shepherd pursuant to those stipulations. 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 statements of activities as net assets released from restrictions. Good Shepherd reports restricted contributions whose stipulations were met in the same year as net assets without donor restrictions. In addition, net assets with donor restrictions include unappropriated earnings on donor-restricted endowment funds. These also include resources subject to donor-imposed stipulations that they be maintained intact in perpetuity by Good Shepherd. The donors of these assets permit the use of all the income earned on related investments, and the net capital appreciation thereon, for general purposes. Good Shepherd's endowment was initiated in 1991 by a \$750,000 challenge grant, known as the Dewitt Wallace – Reader's Digest Endowment Fund. The remaining balance includes donations made throughout the years by various funders.
- C. ***Unconditional Promises to Give*** – Pledges are recorded as income when Good Shepherd is formally notified of the unconditional grants or contributions by the respective donors. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value, while those 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. Unless material, Good Shepherd does not discount multi-year pledges. Amortization of the discounts is included in contribution revenue.
- D. ***Contributed Services, Rent and Other In-Kind*** – Good Shepherd receives noncash contributions consisting primarily of goods and services. There were no noncash contributions for the years ended June 30, 2022 and 2021.

**GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. **Cash and Cash Equivalents** – Good Shepherd considers all highly liquid debt instruments purchased with a maturity of three months or less when acquired, to be cash equivalents, except for cash and money market funds held in Good Shepherd's investment portfolio.

F. **Investments and Fair Value Measurements** – Investments are recorded at fair value. Purchases and sales of securities are recorded on a trade-date basis. Donated securities are recorded at their fair value on the date received using an average of the high and low price on the date received. Interest income is recorded on an accrual basis and dividend income is recorded based on the ex-dividend date. Investment income is recorded as revenue without donor restriction class, unless restricted by the donor.

Given its operating environment and need for working and investment capital, Good Shepherd's primary endowment objectives must be preservation of capital, generation of investment income, long term growth and a relatively high degree of liquidity. This should be reflected in its asset allocation and selection of dividend and interest paying securities that have relatively stable market values. The portfolio should maintain sufficient liquidity to meet Good Shepherd's obligations as they come due.

The purpose of this Investment Policy Statement (IPS) as set forth by the Good Shepherd Finance Committee is to provide:

- I. Financial stability – A healthy endowment dissipates insecurity and eases financial pressures
- II. Regular income – Through smart investing the endowment will provide reliable revenue to fund programs or overhead
- III. Emergency funds – The endowment can serve as a safeguard against major disasters
- IV. Future opportunities – Endowments can provide funding for new ventures or sudden opportunities
- V. Generational equity – Allows Good Shepherd to meet the needs of the future generations
- VI. Donor opportunities – Allows major donors to have a lasting impact
- VII. Confidence builder – Funders are attracted to successful endeavors and a strong endowment can build donor confidence

Subject to the terms of any applicable gift instrument and to the restrictions set forth above under "Guidelines," the Good Shepherd Board has established a spending policy which will allow Good Shepherd to draw funds from an annual endowment reserve with Finance Committee approval. Such funds would be used to support the funding of Good Shepherds' operations.

Procedure: The process for determining the amount of funds that could be drawn from the endowment is the following:

- Measure the combined total market value of Endowment and Board Designated funds for the current fiscal year-end and the prior four years.
- Eliminate the highest and lowest valuation of the past five-years. Calculate the average of the year-end valuation for the remaining three fiscal year-ends.
- Calculate 5% of the three-year average determined above.
- Transfer that amount annually to a general account during the fiscal year. The funds will be accessed from the board designated investments. If the transfer is solely from the board designated account, it will have no impact on the Statement of Activities.
- Unused funds will be carried forward to the next fiscal year and accumulated to a maximum of three years. Any unspent funds after three years will go back to board designated endowment account.

Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 6.

G. **Loan Receivable** – The loan receivable relates to amounts owed by Edwin Gould Residences. Good Shepherd and Edwin Gould Residences have common management. The by-laws of Edwin Gould Residences allow for appointing of their own board and as such there is no control by Good Shepherd and consolidation is not allowed. The loan dated April 14, 2016, accrues interest at a rate of 5% and the principal is due on the 15th anniversary of the date of the loan.

GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. **Property and Equipment** – Property and equipment are stated at cost less accumulated depreciation and amortization. These amounts do not purport to represent replacement or realizable values. Good Shepherd capitalizes property and equipment with a cost of \$2,500 or more (except when a specific funding source requires a lower capitalization limit) and a useful life of greater than one year. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized on a straight-line basis over the lesser of their useful lives or the term of the lease.

I. **Revenue and Fee Income** – Service revenue is derived from contracts with customers. Good Shepherd receives revenue from contracts with various government agencies. Revenue is reported at the amount that reflects the consideration to which Good Shepherd expects to be entitled in exchange for providing the contracted services. Generally, Good Shepherd bills government agencies, third-party payors and individuals after the services are performed or their portion of the contract have been completed. Receivables are due in full when billed and revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by Good Shepherd in accordance with the contract. Revenue for performance obligations satisfied over time is recognized as the services are provided. This method depicts the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Good Shepherd measures the performance obligation from the beginning of the next month or the day to the point when it is no longer required to provide services under the contract or it has met the requirements to bill for the services provided, which is generally at the end of each month or period of time allowed based on the government agencies' stipulations. All performance obligations relate to contracts with a duration of less than one year, therefore, there are no performance obligations that are unsatisfied as of June 30, 2022 or 2021. The performance obligations for these contracts are completed when the service is completed and upon submission of required documentation. Good Shepherd determines the transaction price based on established rates and contracts for services provided.

Grant and contributions are nonexchange transactions and accounted for under Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2018-08, "Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made" (Topic 958). Government grants and support are recognized as revenue when barriers within the contract are overcome, and there is no right of return. Unreimbursed qualified expenditures for preventive programs are included in the statements of financial position as client service receivables due under governmental contracts.

As of June 30, 2022 and 2021, Good Shepherd received conditional grants and contracts accounted for under ASU 2018-08 from government agencies in the aggregate amounts of approximately \$117 million and \$127 million, respectively. Such grants have not been recognized in the accompanying financial statements as they are for future periods and will be recognized when contract barriers are overcome. Such barriers include expending these funds in accordance with their budgets and agreements. If such services are not provided, the governmental entities are not obligated to disburse the funds allotted under the grants and contracts and Good Shepherd may be required to return the funds already remitted.

The estimated liabilities for amounts potentially recoverable by grantors or contracting agencies are included in deferred revenue and due to funder as of June 30, 2022 and 2021, in the accompanying statements of financial position. Actual recoveries are applied against the estimated liabilities when known.

J. **Functional Allocation of Expenses** – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain categories of expenses are attributable to both program and supporting services activities. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation and amortization and occupancy costs, which are allocated on a square-footage basis, as well as salaries and benefits, which are allocated based on estimates of time and effort.

K. **Deferred Financing Costs** – Deferred financing costs are presented as a reduction of the carrying amount of the debt and are amortized over the life of the related bond or loan using the straight-line method. For the years ended June 30, 2022 and 2021, amortization of financing costs amounted to \$32,441 and \$32,440, respectively, and is included in interest expense in the accompanying statements of functional expenses.

**GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- L. **Allowance for Uncollectible Receivables** – As of June 30, 2022 and 2021, Good Shepherd determined that an allowance for uncollectible pledges of \$524,089 and \$924,350, respectively, should be provided for pledges. Good Shepherd determined that no allowance was needed for client service receivables as of both June 30, 2022 and 2021. Such estimates are based on management's judgment of the creditworthiness of its donors and grantors, the aged basis of the receivables from its government funding sources, as well as current economic conditions and historical information.
- M. **Rent Expense and Deferred Rent** – Good Shepherd leases real property under operating leases expiring at various future dates. There are escalation clauses that increase rent payments over time. Since the rent payments increase over time, Good Shepherd records an adjustment to rent expense each year to reflect its straight-lining policy. The annual adjustment recorded for the years ended June 30, 2022 and 2021 amounted to an increase of \$17,053 and \$70,402, respectively. Straight-lining of rent gives rise to a timing difference that is reflected within accounts payable and accrued expenses in the accompanying statements of financial position. As of June 30, 2022 and 2021, such deferrals amounted to \$500,432 and \$483,379, respectively.
- N. **Measure of Operations** – Good Shepherd includes in its measure of operations, all support and revenue, that are an integral part of its programs and supporting activities. Endowment contributions and realized and unrealized gains and losses are recognized as non-operating activities.
- O. **Use of Estimates** – The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the financial statements. Actual results could differ from those estimates.

NOTE 3 – LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position date, comprise the following as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 1,155,922	\$ 4,226,627
Client services receivables	40,520,951	33,454,058
Pledges receivable, net of donor restrictions	6,843,333	5,636,000
Short-term investments	6,651,893	11,784,512
Endowment spending-rate distributions and appropriations	<u>2,409,871</u>	<u>1,901,871</u>
	<u>\$ 57,581,970</u>	<u>\$ 57,003,068</u>

Good Shepherd's endowment funds consist of donor-restricted endowments and a board-designated fund functioning as an endowment. Donor-restricted endowment funds are not available for general expenditure and the income generated is restricted for specific purposes, primarily for the preservation of capital, long-term growth and a relatively high degree of liquidity. This should be reflected in its asset allocation and selection of dividend and interest paying securities that have relatively stable market values. The portfolio should maintain sufficient liquidity to meet Good Shepherd's obligations as they come due.

Good Shepherd's board-designated endowment of \$61,180,274 and \$67,044,702 as of June 30, 2022 and 2021, respectively, is subject to an annual spending rate of up to five percent as described in Note 2F. Although Good Shepherd does not intend to spend from the board-designated endowment (other than amounts appropriated for general expenditure as part of the Board's annual budget approval and appropriation), the funds could be made available, if necessary, by action of the Board.

As part of Good Shepherd's liquidity management plan, Good Shepherd invests cash in excess of daily requirements in short-term investments consisting of mutual funds. Good Shepherd also has a \$8,500,000 revolving line of credit with a financial institution as of both June 30, 2022 and 2021 (Note 10).

GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 4 – CLIENT SERVICE RECEIVABLES

Client service receivables due under governmental contracts, grants and entitlements consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
New York State agencies	\$ 1,570,873	\$ 1,105,906
New York City agencies	36,706,413	30,624,157
Federal agencies	184,784	176,259
Medicaid	<u>2,058,881</u>	<u>1,547,736</u>
	<u>\$ 40,520,951</u>	<u>\$ 33,454,058</u>

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Amounts due in less than one year	\$ 8,241,720	\$ 7,526,000
Amounts due in one to five years	<u>2,600,000</u>	<u>7,730,000</u>
	10,841,720	15,256,000
Less: allowance for uncollectible pledges	(524,089)	(924,350)
Less: unamortized discount to present value	<u>(195,238)</u>	<u>(531,361)</u>
	<u>\$ 10,122,393</u>	<u>\$ 13,800,289</u>

The pledges to be received after one year are discounted to present value at interest rates ranging from 0.14% to 1.75%. The amortization of the discount is reflected as additional contribution revenue in the accompanying financial statements.

Pledges receivable from Board members as of June 30, 2022 and 2021 amounted to \$1,698,387 and \$3,185,000, respectively.

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy under FASB Accounting Standards Codification (“ASC”) Topic 820 are described as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, Good Shepherd utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible in its assessment of fair value.

GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021

NOTE 6 – INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)

The following methods and assumptions were used in estimating the fair values of significant financial instruments as of June 30, 2022 and 2021:

Mutual Funds – Mutual funds are valued at the daily closing price as reported by the fund. These funds are required to publish their daily net asset value and to transact at that price. The mutual funds held by Good Shepherd are deemed to be actively traded.

Financial assets are all classified as Level 1 and carried at fair value June 30, as follows:

	<u>2022</u>	<u>2021</u>
Investments:		
Mutual Funds:		
Domestic Stock	\$ 22,387,724	\$ 29,485,555
Bonds	15,753,018	14,408,675
International Stock	15,430,047	18,748,044
International Bonds	6,819,081	5,938,017
Money Markets	<u>6,651,893</u>	<u>11,784,512</u>
Total Assets Carried at Fair Value	<u>\$ 67,041,763</u>	<u>\$ 80,364,803</u>

Investment return consisted of the following for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Interest and dividends	\$ 1,624,394	\$ 1,332,551
Realized gain on investments	2,063,611	691,731
Unrealized (loss) gain on investments	(13,317,721)	12,392,715
Investment fees	<u>(57,296)</u>	<u>(54,615)</u>
	<u>\$ (9,687,012)</u>	<u>\$ 14,362,382</u>

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Land	\$ 565,172	\$ 565,172	
Buildings and improvements	37,973,233	34,497,325	10-30 Years
Furniture and fixtures	2,389,514	2,178,742	5 Years
Computer systems	2,020,606	1,955,800	3 Years
Vehicles	748,906	694,172	3 Years
Construction in progress	<u>-</u>	<u>3,243,045</u>	
Total cost	43,697,431	43,134,256	
Accumulated depreciation and amortization	<u>(24,420,245)</u>	<u>(23,193,184)</u>	
Net book value	<u>\$ 19,277,186</u>	<u>\$ 19,941,072</u>	

Depreciation and amortization expense for property and equipment amounted to \$3,431,957 and \$3,359,895 for the years ended June 30, 2022 and 2021, respectively.

Construction in progress as of June 30, 2021 consisted of various construction projects at Good Shepherd's sites. The construction was completed in August 2021 and no significant additional costs were incurred.

During the years ended June 30, 2022 and 2021, fully depreciated property and equipment with a total cost and accumulated depreciation and amortization of \$2,204,896 and \$3,816,694, respectively were written off.

**GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 8 – LONG-TERM OBLIGATIONS

Long-term obligations consisted of the following items as of June 30:

	<u>2022</u>	<u>2021</u>
Mortgage payable to a bank, in monthly installments of \$1,515 plus interest at a fixed rate of 3.30%, secured by real property. The mortgage matured on May 29, 2022 and was paid in full.	\$ -	\$ 107,577
Mortgage payable to a bank, in monthly installments of \$17,857 plus interest at a fixed rate of 3.00%, secured by real property. The mortgage matured on October 25, 2019 and was refinanced on December 30, 2019 in the amount of \$2,267,857 payable in monthly installments of \$26,998 plus interest at a fixed rate of 3.22%. The mortgage matures December 30, 2026 and is secured by real property.	1,457,908	1,781,888
Loan payable to a non-profit organization bearing interest at 4.27% per annum, with the principal and accrued interest due in full in September 2028.	250,000	250,000
Mortgage payable to a bank, in monthly installments of \$2,633, plus interest at a fixed rate of 3.50%, secured by real property. The mortgage matures on June 28, 2022. The last payment was processed in July 2022 and therefore there was a \$2,634 balance as of June 30, 2022.	2,634	31,600
Mortgage payable to a bank, in monthly installments of \$14,392, plus interest at a fixed rate of 3.25%, secured by real property. The mortgage matured in May 2022 and was paid in full.	-	1,021,819
	1,710,542	3,192,884
Less: Unamortized debt issuance costs	-	(32,441)
	<u>\$ 1,710,542</u>	<u>\$ 3,160,443</u>

The future annual principal payments for each of the years subsequent to June 30, 2022 are as follows:

	<u>Mortgages and Loan Payments</u>
2023	\$ 326,612
2024	323,980
2025	323,980
2026	323,980
2027	161,990
Thereafter	250,000
	<u>\$ 1,710,542</u>

Good Shepherd is required to comply with certain financial covenants on an annual basis throughout the life of the obligations. As of June 30, 2022, Good Shepherd was not in compliance with the financial covenants, however a waiver was received from the financial institution. Interest expense incurred for these long-term obligations amounted to \$204,737 and \$140,201 for the years ended June 30, 2022 and 2021, respectively.

NOTE 9 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE

On March 18, 2021, Good Shepherd received loan proceeds in the amount of \$10,000,000 under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (8 or 24 weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities.

**GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 9 – PAYCHECK PROTECTION PROGRAM LOAN PAYABLE (Continued)

The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. Payments are not required to begin for 10 months after the end of the 24 weeks loan forgiveness covered period. Good Shepherd is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements during the covered period. The loan is uncollateralized and is fully guaranteed by the Federal government. Good Shepherd intends to use PPP loan proceeds for purposes consistent with the PPP and will apply for forgiveness within 10 months of the end of the covered period. Good Shepherd applied for forgiveness on August 18, 2022 and is awaiting a decision.

To the extent that Good Shepherd is not granted forgiveness, Good Shepherd will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

Good Shepherd has recorded a loan payable as of June 30, 2022 and 2021 and will record forgiveness upon being legally released from the loan obligation. See Note 16.

NOTE 10 – BANK LINE OF CREDIT

Good Shepherd has a revolving bank line of credit with a maximum borrowing limit of \$8,500,000 with an interest rate set by the bank on the day of borrowing. The line is secured by Good Shepherd's receivables. On May 16, 2022, the line of credit was renewed and matures on April 30, 2023. Interest expense incurred for the line of credit amounted to \$29,445 and \$36,765 for the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, Good Shepherd had no outstanding borrowings on the bank line of credit. There was no outstanding balance as of March 21, 2023.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Purpose restricted:		
Community-based services	\$ 2,899,364	\$ 3,123,749
Foster care	5,099,808	4,183,423
Preventive	-	587,096
Time restrictions	7,647,702	11,246,372
Unappropriated investment earnings	2,983,572	3,428,964
Perpetual in nature	19,402,620	22,216,121
	<u>\$ 38,033,066</u>	<u>\$ 44,785,725</u>

Net assets with donor restrictions were released from donor restrictions by incurring expenses satisfying the restricted purposes, by the occurrence of other events specified by the donors or the passage of time as follows for the years ended June 30:

	<u>2022</u>	<u>2021</u>
Purpose restrictions accomplished:		
Preventive services	\$ 3,222,507	\$ 1,051,884
Residential services	1,218,054	903,193
Expiration of time	<u>12,770,179</u>	<u>7,264,769</u>
	17,210,740	9,219,846
Appropriation of endowment earnings	<u>666,755</u>	<u>1,901,184</u>
	<u>\$ 17,877,495</u>	<u>\$ 11,121,030</u>

**GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 – ENDOWMENT NET ASSETS

The Board recognizes that New York State adopted the New York Prudent Management of Institutional Funds Act ("NYPMIFA") on September 17, 2010. NYPMIFA created a rebuttable presumption of imprudence if an organization appropriates more than 7% of a donor-restricted perpetual endowment fund's fair value (averaged over a period of not less than the preceding five years) in any year. Any unappropriated earnings that would otherwise be considered without donor restriction by the donor will be reflected as purpose restricted until appropriated.

The Board explicitly appropriated all earnings as of and prior to September 17, 2010, whether deemed spent or not, as net assets without donor restrictions. All unappropriated earnings on endowment funds with donor restrictions after September 17, 2010, that would otherwise be considered without donor restrictions, will be reflected as net assets with donor restrictions until appropriated.

The Board has interpreted NYPMIFA as allowing Good Shepherd to appropriate for expenditure or accumulate so much of an endowment fund as Good Shepherd determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board.

Good Shepherd's endowment investment policy is to invest primarily in a mix of investments in mutual funds based on an asset allocation to satisfy its overall endowment financial and investment objectives, such as to preserve the principal, protect against inflation, receive stable returns and achieve long-term growth. Good Shepherd relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

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

	Without Donor Restrictions Board Designated Reserves For Endowment	With Donor Restrictions Unappropriated Investment Earnings	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 67,044,702	\$ 3,428,964	\$ 22,216,121	\$ 92,689,787
Investment activity:				
Interest and dividends	1,174,962	60,093	389,339	1,624,394
Realized/Unrealized loss	(8,140,363)	(416,334)	(2,697,413)	(11,254,110)
Contributions	-	-	72,177	72,177
Investment fees	(57,296)	-	-	(57,296)
Amount appropriated for expenditure	(1,743,116)	(89,151)	(577,604)	(2,409,871)
Transfers from operating activity	2,901,385	-	-	2,901,385
	(5,864,428)	(445,392)	(2,813,501)	(9,123,321)
Endowment of net assets, end of year	\$ 61,180,274	\$ 2,983,572	\$ 19,402,620	\$ 83,566,466

**GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 12 – ENDOWMENT NET ASSETS (Continued)

Changes in endowment net assets for the year ended June 30, 2021, are as follows:

	Without Donor Restrictions Board Designated Reserves For Endowment	With Donor Restrictions Unappropriated Investment Earnings	Perpetual in Nature	Total
Endowment net assets, beginning of year	\$ 64,002,587	\$ -	\$22,079,546	\$ 86,082,133
Investment activity:				
Interest and dividends	839,890	492,661	-	1,332,551
Realized/Unrealized gain	8,246,959	4,837,487	-	13,084,446
Contributions	-	-	136,575	136,575
Investment fees	(54,615)	-	-	(54,615)
Amount appropriated for expenditure	-	(1,901,184)	-	(1,901,184)
Transfers to operating activity	(5,990,119)	-	-	(5,990,119)
	<u>3,042,115</u>	<u>3,428,964</u>	<u>136,575</u>	<u>6,607,654</u>
Endowment of net assets, end of year	\$ 67,044,702	\$ 3,428,964	\$22,216,121	\$ 92,689,787

Endowment net assets of \$83,566,466 and \$92,689,787 as of June 30, 2022 and 2021, respectively, are included in pledges receivable, client service receivables, cash and investments in the accompanying statements of financial position.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor requires Good Shepherd to retain as a fund of perpetual duration. In accordance with Good Shepherd's policy (Note 2B), deficiencies of this nature are reported in either with or without donor restricted net assets. The deficiencies resulted from unfavorable market fluctuations that occurred in the economy as a whole, whereby the fair market value of the donor-restricted endowment fund was below the amount that is required to be retained in perpetuity by \$2,813,501 as of June 30, 2022. There was no deficiency in the donor-restricted endowment fund as of June 30, 2021.

NOTE 13 – RETIREMENT PLAN AND DEFERRED COMPENSATION

Good Shepherd sponsors a non-contributory defined contribution plan under section 403(b) of the IRC through two insurance companies for eligible salaried employees based on annual compensation. Good Shepherd's Board determines the amount of contribution to be made into the plan on an annual basis. Retirement plan contributions for each of the years ended June 30, 2022 and 2021 amounted to approximately \$1,000,000.

Good Shepherd provides regular employees a deferred compensation benefit for longevity. Each regular employee is entitled to one-week base salary after ten years of service and will add additional weeks for each year thereafter based on a schedule up to a maximum of 12 weeks. As of June 30, 2022 and 2021, Good Shepherd has accrued approximately \$1,431,000 and \$1,369,000, respectively, for such benefit, and the accrual is included in accounts payable and accrued expenses in the accompanying statements of financial position.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

A. Pursuant to Good Shepherd's contractual relationships with certain governmental funding sources, governmental agencies have the right to examine the books and records of Good Shepherd involving transactions relating to these contracts. Good Shepherd has made provisions for possible disallowances which have been included in deferred revenue and due to funder in the accompanying financial statements.

**GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

NOTE 14 – COMMITMENTS AND CONTINGENCIES (Continued)

- B. Good Shepherd is obligated under operating leases for the rental of premises for various program locations through 2028. The leases have escalation clauses related to increases in rent and taxes. Future minimum lease payments in each of the five years subsequent to June 30, 2022 and thereafter are approximately as follows:

2023	\$ 3,201,000
2024	2,878,000
2025	2,812,000
2026	2,949,000
2027	2,656,000
Thereafter	387,000
	<u>\$ 14,883,000</u>

The rental commitment presented above does not include certain operating leases, which are currently on a month-to-month basis. Rent expense under all operating leases amounted to approximately \$3,162,000 and \$2,714,000 for the years ended June 30, 2022 and 2021, respectively. In addition, Good Shepherd has entered into non-cancellable operating leases for several company motor vehicles. The minimum annual rent related to the leases was due in 2022 and amounted to \$50,341. There was no similar activity as of June 30, 2022.

- C. In the fiscal year 2001, Good Shepherd entered into a license agreement for the use of space by the New York City Department of Education. During the fiscal year 2016, the agreement was extended to continue until 2026. Under the license agreement, Good Shepherd will receive annual license payments commencing from the date of occupancy by the Board of Education to the end of the term of the agreement. License fee income amounted to approximately \$926,400 and \$838,900 for the years ended June 30, 2022 and 2021 and is included as part of miscellaneous revenue and other fees in the accompanying statements of activities.
- D. Good Shepherd is a defendant in various legal actions arising out of the normal course of its operations. The final outcome of such actions cannot be determined at this time. Eventual liability, if any, is likely to be covered by insurance except where the applicable insurance policies expressly exclude certain coverage which arguably relates to the claims.
- E. Good Shepherd believes it has no uncertain income tax positions as of June 30, 2022 and 2021 in accordance with FASB ASC Topic 740 "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 15 – CONCENTRATIONS

Cash and cash equivalents that potentially subject Good Shepherd to a concentration of credit risk include cash accounts with banks that exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Bank accounts are insured up to \$250,000 per depositor. As of June 30, 2022 and 2021, there was approximately \$3 million and \$5 million, respectively, of cash held by a bank that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 16 – SUBSEQUENT EVENTS

Good Shepherd has evaluated for potential recognition and disclosure events subsequent to the date of the statement of financial position through March 21, 2023, the date the financial statements were available to be issued.

In December 2022, Good Shepherd received formal notice of forgiveness on their Paycheck Protection Program loan for the full amount including accrued interest.