

GOOD SHEPHERD SERVICES



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

YEARS ENDED JUNE 30, 2023 AND 2022

GOOD SHEPHERD SERVICES
FINANCIAL STATEMENTS
(Together with Independent Auditors' Report)
YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Good Shepherd Services

Opinion

We have audited the financial statements of Good Shepherd Services ("Good Shepherd"), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Good Shepherd as of June 30, 2023 and 2022, and the changes in its net assets and its 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 ("GAAS"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Good Shepherd 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.

Change in Accounting Principle

As discussed in Note 20 to the financial statements, Good Shepherd changed its method of accounting for leases as a result of the adoption of Accounting Standards Codification Topic 842, *Leases*, effective July 1, 2022, under the modified retrospective transition method. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements, management is required to evaluate whether 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 one year after the date that the financial statements are available to be issued.

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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 audits.
- 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 audits 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 28, 2024

GOOD SHEPHERD SERVICES
STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents (Notes 2D and 16)	\$ 5,031,818	\$ 1,155,922
Investments (Notes 2E, 6 and 12)	66,582,417	67,041,763
Client service receivables (Notes 2H, 2K and 4)	46,668,051	40,520,951
Pledges receivable, net (Notes 2C, 2K and 5)	5,779,089	10,122,393
Loan receivable (Note 2F)	1,297,359	1,475,779
Prepaid expenses and other assets	1,800,236	2,716,316
Property and equipment, net (Notes 2G and 7)	19,098,909	19,277,186
Operating right-of-use asset (Notes 2O and 14)	12,565,406	-
	\$ 158,823,285	\$ 142,310,310
LIABILITIES		
Accounts payable and accrued expenses (Notes 2L and 13)	\$ 7,960,657	\$ 6,791,309
Accrued salaries and payroll taxes	2,471,412	2,150,093
Accrued vacation	3,434,225	3,363,828
Deferred revenue and due to funder (Notes 2H and 15A)	2,976,359	1,514,554
Paycheck Protection Program loan payable (Note 9)	-	10,000,000
Line of credit	3,000,000	-
Long-term obligations, net (Notes 2J and 8)	1,133,929	1,710,542
Lease liability (Notes 2O and 14)	12,565,406	-
	33,541,988	25,530,326
COMMITMENTS AND CONTINGENCIES (Note 14)		
NET ASSETS (Note 2B)		
Without donor restrictions:		
Board designated reserves for endowment (Notes 2B, 3 and 12)	69,621,550	61,180,274
Net investment in property and equipment	17,964,980	17,566,644
Total without donor restrictions	87,586,530	78,746,918
With donor restrictions (Notes 11 and 12)	37,694,767	38,033,066
	125,281,297	116,779,984
	\$ 158,823,285	\$ 142,310,310

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

**GOOD SHEPHERD SERVICES
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	Year Ended June 30, 2023			Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total 2023	Without Donor Restrictions	With Donor Restrictions	Total 2022
OPERATING SUPPORT AND REVENUE (Note 2N)						
Care and maintenance contracts (Note 2H)	\$ 33,506,606	\$ -	\$ 33,506,606	\$ 27,563,525	\$ -	\$ 27,563,525
Grants from government agencies (Note 2H)	55,664,621	-	55,664,621	51,598,166	-	51,598,166
Medicaid (Note 2H)	7,360,270	-	7,360,270	9,887,539	-	9,887,539
Private grants (Note 2C)	1,289,187	12,009,319	13,298,506	666,954	13,716,974	14,383,928
Special events (net of direct expenses of \$411,035 and \$605,256 in 2023 and 2022, respectively)	1,031,416	-	1,031,416	1,254,491	-	1,254,491
Interest and dividends (Notes 2E and 6)	1,296,099	474,250	1,770,349	1,174,962	449,432	1,624,394
Miscellaneous revenue and other fees (Note 15B)	11,165,305	-	11,165,305	1,589,525	-	1,589,525
Net assets released from restrictions (Note 11)	14,110,127	(14,110,127)	-	17,877,495	(17,877,495)	-
TOTAL OPERATING SUPPORT AND REVENUE	<u>125,423,631</u>	<u>(1,626,558)</u>	<u>123,797,073</u>	<u>111,612,657</u>	<u>(3,711,089)</u>	<u>107,901,568</u>
OPERATING EXPENSES (Note 2I)						
Program Services:						
Foster care and residential services	51,472,927	-	51,472,927	44,339,415	-	44,339,415
Community-based programs	48,105,999	-	48,105,999	45,709,373	-	45,709,373
Training services	417,480	-	417,480	564,054	-	564,054
Total Program Services	<u>99,996,406</u>	<u>-</u>	<u>99,996,406</u>	<u>90,612,842</u>	<u>-</u>	<u>90,612,842</u>
Supporting Services:						
Management and general	18,739,145	-	18,739,145	16,639,910	-	16,639,910
Fundraising	1,330,169	-	1,330,169	1,240,659	-	1,240,659
Total Supporting Services	<u>20,069,314</u>	<u>-</u>	<u>20,069,314</u>	<u>17,880,569</u>	<u>-</u>	<u>17,880,569</u>
TOTAL OPERATING EXPENSES	<u>120,065,720</u>	<u>-</u>	<u>120,065,720</u>	<u>108,493,411</u>	<u>-</u>	<u>108,493,411</u>
Change In Net Assets From Operations	<u>5,357,911</u>	<u>(1,626,558)</u>	<u>3,731,353</u>	<u>3,119,246</u>	<u>(3,711,089)</u>	<u>(591,843)</u>
NONOPERATING ACTIVITIES (Note 2M)						
Endowment contributions (Notes 2C and 12)	-	14,286	14,286	-	72,177	72,177
Realized/unrealized (loss) gain on investments, net (Notes 2E and 6)	3,481,701	1,273,973	4,755,674	(8,197,659)	(3,113,747)	(11,311,406)
TOTAL NONOPERATING ACTIVITIES	<u>3,481,701</u>	<u>1,288,259</u>	<u>4,769,960</u>	<u>(8,197,659)</u>	<u>(3,041,570)</u>	<u>(11,239,229)</u>
CHANGES IN NET ASSETS	<u>8,839,612</u>	<u>(338,299)</u>	<u>8,501,313</u>	<u>(5,078,413)</u>	<u>(6,752,659)</u>	<u>(11,831,072)</u>
Net assets - beginning of year	<u>78,746,918</u>	<u>38,033,066</u>	<u>116,779,984</u>	<u>83,825,331</u>	<u>44,785,725</u>	<u>128,611,056</u>
NET ASSETS - END OF YEAR	<u>\$ 87,586,530</u>	<u>\$ 37,694,767</u>	<u>\$ 125,281,297</u>	<u>\$ 78,746,918</u>	<u>\$ 38,033,066</u>	<u>\$ 116,779,984</u>

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

GOOD SHEPHERD SERVICES
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2023
(WITH COMPARATIVE TOTALS FOR 2022)

	For the Year Ended June 30, 2023									
	Program Services				Supporting Services					
	Foster Care and Residential Services	Community Based Programs	Training Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total 2023	Total 2022	
Salaries	\$ 23,847,122	\$ 27,005,508	\$ 223,193	\$ 51,075,823	\$ 9,373,464	\$ 972,380	\$ 10,345,844	\$ 61,421,667	\$ 54,417,637	
Payroll taxes and employee benefits (Note 13)	5,120,174	5,666,048	66,295	10,852,517	2,217,036	206,146	2,423,182	13,275,699	12,197,850	
Total Salaries and Related Costs	28,967,296	32,671,556	289,488	61,928,340	11,590,500	1,178,526	12,769,026	74,697,366	66,615,487	
Foster boarding home payments	7,318,795	-	-	7,318,795	-	-	-	7,318,795	4,558,599	
Children:										
Allowance	12,657	-	-	12,657	-	-	-	12,657	16,725	
Activities and program supplies	166,476	1,455,186	1,499	1,623,161	8,581	156	8,737	1,631,898	1,282,058	
Tuition	8,408	76,118	-	84,526	67,967	859	68,826	153,352	143,850	
Bedding, linens and uniforms	4,296	6,318	-	10,614	649	8	657	11,271	9,288	
Clothing	182,857	608,131	-	790,988	9,373	919	10,292	801,280	554,129	
Purchase of health services	340,178	-	-	340,178	-	-	-	340,178	338,584	
Food	1,252,344	1,203,056	-	2,455,400	132,293	2,623	134,916	2,590,316	2,066,999	
Supplies	887,109	1,650,021	1,130	2,538,260	404,982	10,067	415,049	2,953,309	3,042,708	
Medical supplies and equipment	19,150	37	-	19,187	21	-	21	19,208	7,608	
Rent (Notes 2L and 14)	1,980,104	1,139,499	-	3,119,603	133,500	1,687	135,187	3,254,790	3,161,554	
Utilities	483,634	357,896	-	841,530	65,355	826	66,181	907,711	746,690	
Transportation	325,546	298,498	36	624,080	89,671	1,680	91,351	715,431	639,058	
Telephone	564,249	519,238	1,726	1,085,213	142,928	6,038	148,966	1,234,179	1,334,577	
Postage	5,891	2,052	-	7,943	7,543	3,662	11,205	19,148	13,259	
Dues, license and permits	277,436	133,950	2,000	413,386	407,654	149,485	557,139	970,525	1,170,726	
Legal, auditing and advisory fees	412,277	228,001	4,125	644,403	708,956	124,971	833,927	1,478,330	2,264,721	
Insurance	420,335	994,194	1,420	1,415,949	250,428	3,164	253,592	1,669,541	1,630,338	
Purchased services	2,506,761	1,802,683	107,788	4,417,232	1,971,779	116,036	2,087,815	6,505,047	5,427,005	
Related school expenses	569	-	-	569	10,936	138	11,074	11,643	68,239	
Stipend	844,548	1,394,464	-	2,239,012	183,023	2,433	185,456	2,424,468	2,392,037	
Repairs and maintenance	2,460,093	1,616,852	2,181	4,079,126	591,925	7,478	599,403	4,678,529	4,690,830	
Office printing supplies	100,946	124,007	421	225,374	49,928	15,086	65,014	290,388	260,605	
Subscription/publication	5,156	4,858	1,552	11,566	283,343	15,311	298,654	310,220	158,193	
Staff training/tuition	12,830	188,912	3,047	204,789	7,481	95	7,576	212,365	146,675	
Conference expense	16,568	59,027	-	75,595	6,208	78	6,286	81,881	36,681	
Public/recruitment	107,711	134,106	519	242,336	18,485	465	18,950	261,286	306,583	
Miscellaneous expenses	328,542	284,707	7	613,256	277,386	82,759	360,145	973,401	2,266,518	
Other than Personnel Costs	21,045,466	14,281,811	127,451	35,454,728	5,830,395	546,024	6,376,419	41,831,147	38,734,837	
TOTAL EXPENSES BEFORE INTEREST, FEES AND DEPRECIATION AND AMORTIZATION	50,012,762	46,953,367	416,939	97,383,068	17,420,895	1,724,550	19,145,445	116,528,513	105,350,324	
Interest expense and fees (Notes 2J, 8 and 10)	-	8,469	-	8,469	202,682	2,561	205,243	213,712	316,386	
Depreciation and amortization expense (Note 7)	1,460,165	1,144,163	541	2,604,869	1,115,568	14,093	1,129,661	3,734,530	3,431,957	
	1,460,165	1,152,632	541	2,613,338	1,318,250	16,654	1,334,904	3,948,242	3,748,343	
Less: Cost of direct benefit to donors	-	-	-	-	-	411,035	411,035	411,035	605,256	
TOTAL EXPENSES	\$ 51,472,927	\$ 48,105,999	\$ 417,480	\$ 99,996,406	\$ 18,739,145	\$ 1,330,169	\$ 20,069,314	\$ 120,065,720	\$ 108,493,411	

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

	Program Services				Supporting Services			Total 2022
	Foster Care and Residential Services	Community Based Programs	Training Services	Total Program Services	Management and General	Fundraising	Total Supporting Services	
Salaries	\$ 21,183,503	\$ 24,345,762	\$ 346,522	\$ 45,875,787	\$ 7,752,416	\$ 789,434	\$ 8,541,850	\$ 54,417,637
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
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
Foster boarding home payments	4,558,599	-	-	4,558,599	-	-	-	4,558,599
Children:								
Allowance	15,474	1,251	-	16,725	-	-	-	16,725
Activities and program supplies	149,824	1,128,581	1,706	1,280,111	1,918	29	1,947	1,282,058
Tuition	24,169	119,681	-	143,850	-	-	-	143,850
Bedding, linens and uniforms	4,023	5,265	-	9,288	-	-	-	9,288
Clothing	101,623	449,898	-	551,521	1,074	1,534	2,608	554,129
Purchase of health services	338,584	-	-	338,584	-	-	-	338,584
Food	1,054,805	968,087	5	2,022,897	29,393	14,709	44,102	2,066,999
Supplies	612,290	1,898,734	55	2,511,079	446,321	85,308	531,629	3,042,708
Medical supplies and equipment	7,588	20	-	7,608	-	-	-	7,608
Rent (Notes 2L and 14)	1,784,224	1,109,935	-	2,894,159	264,678	2,717	267,395	3,161,554
Utilities	415,715	276,372	-	692,087	53,849	754	54,603	746,690
Transportation	373,211	186,953	-	560,164	76,145	2,749	78,894	639,058
Telephone	566,712	557,166	1,705	1,125,583	201,632	7,362	208,994	1,334,577
Postage	4,835	2,499	9	7,343	4,402	1,514	5,916	13,259
Dues, license and permits	229,741	188,408	996	419,145	613,314	138,267	751,581	1,170,726
Legal, auditing and advisory fees	496,306	802,216	-	1,298,522	637,298	328,901	966,199	2,264,721
Insurance	289,025	1,210,595	1,194	1,500,814	127,625	1,899	129,524	1,630,338
Purchased services	2,246,005	1,351,811	96,565	3,694,381	1,578,480	154,144	1,732,624	5,427,005
Related school expenses	64,461	-	-	64,461	3,723	55	3,778	68,239
Stipend	398,179	1,827,997	-	2,226,176	156,725	9,136	165,861	2,392,037
Repairs and maintenance	2,447,402	1,694,316	7,575	4,149,293	533,599	7,938	541,537	4,690,830
Office printing supplies	51,832	130,567	-	182,399	39,939	38,267	78,206	260,605
Subscription/publication	4,606	17,428	1,478	23,512	127,984	6,697	134,681	158,193
Staff training/tuition	20,295	98,380	2,232	120,907	25,390	378	25,768	146,675
Conference expense	6,570	17,934	-	24,504	7,092	5,085	12,177	36,681
Public/recruitment	104,741	176,195	-	280,936	24,738	909	25,647	306,583
Miscellaneous expenses	511,731	770,228	3,472	1,285,431	931,671	49,416	981,087	2,266,518
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
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
Interest expense and fees (Notes 2J, 8 and 10)	32,670	19,169	-	51,839	260,669	3,878	264,547	316,386
Depreciation and amortization expense (Note 7)	1,500,239	1,055,604	-	2,555,843	863,272	12,842	876,114	3,431,957
	1,532,909	1,074,773	-	2,607,682	1,123,941	16,720	1,140,661	3,748,343
Less: Cost of direct benefit to donors	-	-	-	-	-	605,256	605,256	605,256
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

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

**GOOD SHEPHERD SERVICES
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022**

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in net assets	\$ 8,501,313	\$ (11,831,072)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization expense	3,734,530	3,431,957
Endowment contributions	(14,286)	(72,177)
Amortization of deferred financing costs	-	32,441
Decrease in unamortized discount of pledges receivable	(91,952)	(336,123)
Unrealized (gain) loss on investments	(4,896,247)	13,317,721
Realized loss (gain) on investments	84,290	(2,063,611)
Forgiveness of Paycheck Protection Program loan payable	(10,000,000)	-
Sub-total	(2,682,352)	2,479,136
Changes in operating assets and liabilities:		
(Increase) Decrease in assets:		
Client service receivables	(6,147,100)	(7,066,893)
Pledges receivable	4,435,256	4,014,019
Loan receivable	178,420	19,252
Prepaid expenses and other assets	916,080	(1,158,545)
Operating right-of-use asset	(12,565,406)	-
Increase (Decrease) in liabilities:		
Accounts payable and accrued expenses	1,169,348	(113,889)
Deferred revenue and due to funder	1,461,805	585,593
Accrued salaries and payroll taxes	321,319	290,491
Accrued vacation	70,397	(10,563)
Lease liability	12,565,406	-
Net Cash Used in Operating Activities	(276,827)	(961,399)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(3,556,253)	(2,768,071)
Purchases of investments	(1,254,874)	(3,210,604)
Proceeds from sales of investments	6,526,177	5,279,534
Net Cash Provided by (Used in) Investing Activities	1,715,050	(699,141)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Endowment contributions	14,286	72,177
Proceeds on line of credit	3,000,000	-
Repayments of long-term obligations	(576,613)	(1,482,342)
Net Cash Provided by (Used in) Financing Activities	2,437,673	(1,410,165)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,875,896	(3,070,705)
Cash and cash equivalents - beginning of year	1,155,922	4,226,627
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 5,031,818	\$ 1,155,922
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	\$ 151,874	\$ 152,556

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

GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

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 98 programs serving 31,239 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; 10 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 and in-school support 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. ***Cash and Cash Equivalents*** – Good Shepherd considers all highly liquid debt instruments acquired with a maturity of three months or less to be cash equivalents, except for cash and money market funds held in Good Shepherd’s investment portfolio.

GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- E. ***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 the 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.

- F. ***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, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. **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.

H. **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 has 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, 2023 or 2022. 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.

As of June 30, 2023 and 2022, Good Shepherd received conditional grants and contracts accounted for under ASU 2018-08 from government agencies in the aggregate amounts of approximately \$148 million and \$117 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, 2023 and 2022, in the accompanying statements of financial position. Actual recoveries are applied against the estimated liabilities when known.

I. **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.

J. **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 year ended June 30, 2022, the final amortization of financing costs amounted to \$32,441 and is included in interest expense in the accompanying statements of functional expenses.

**GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- K. **Allowance for Uncollectible Receivables** – As of June 30, 2023 and 2022, Good Shepherd determined that an allowance for uncollectible pledges of \$176,375 and \$524,089, respectively, should be provided for pledges. Good Shepherd determined that no allowance was needed for client service receivables as of both June 30, 2023 and 2022. 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.
- L. **Operating Lease** – Prior to the adoption of FASB ASU 2016-02, *Leases*, as of July 1, 2022, rent expense was recognized using the straight-line method over the terms of the leases. The difference between rent expense incurred and the amount paid, which is attributable to scheduled rent increases, is reported as lease liabilities in the accompanying statement of financial position as of June 30, 2022. As explained in Note 2O, Good Shepherd adopted FASB ASU 2016-02, *Leases* (Topic 842) as of July 1, 2022.
- M. **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.
- N. **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.
- O. **Recently Enacted Accounting Standards** – FASB ASU 2016-02, *Leases* (Topic 842) was adopted by Good Shepherd for the year ended June 30, 2023. This ASU requires organizations that lease assets to recognize the present value of the assets and liabilities for the rights and obligations created by those leases. The adoption of this ASU for the year ended June 30, 2023 required the recognition of right-of-use (“ROU”) assets and lease obligations as of that date. The lease assets and liabilities as of June 30, 2023 totaled \$12,565,406. The adoption of Topic 842 had no effect on the change in net assets as previously reported.

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 statement of financial position dates, comprise the following as of June 30:

	2023	2022
Cash and cash equivalents	\$ 5,031,818	\$ 1,155,922
Client service receivables	46,668,051	40,520,951
Pledges receivable, net of donor restrictions	4,128,750	6,843,333
Short-term investments	1,855,062	6,651,893
Endowment spending-rate distributions and appropriations	1,901,184	2,409,871
	\$ 59,584,865	\$ 57,581,970

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 \$69,621,550 and \$61,180,274 as of June 30, 2023 and 2022, respectively, is subject to an annual spending rate of up to five percent as described in Note 2E. 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, 2023 and 2022 (Note 10).

GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 4 – CLIENT SERVICE RECEIVABLES

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

	<u>2023</u>	<u>2022</u>
New York State agencies	\$ 1,834,095	\$ 1,570,873
New York City agencies	42,620,999	36,706,413
Federal agencies	294,169	184,784
Medicaid	1,906,292	2,058,881
Other	<u>12,496</u>	<u>-</u>
	<u>\$ 46,668,051</u>	<u>\$ 40,520,951</u>

NOTE 5 – PLEDGES RECEIVABLE

Pledges receivable consisted of the following as of June 30:

	<u>2023</u>	<u>2022</u>
Amounts due in less than one year	\$ 4,128,750	\$ 8,241,720
Amounts due in one to five years	<u>1,930,000</u>	<u>2,600,000</u>
	6,058,750	10,841,720
Less: allowance for uncollectible pledges	(176,375)	(524,089)
Less: unamortized discount to present value	<u>(103,286)</u>	<u>(195,238)</u>
	<u>\$ 5,779,089</u>	<u>\$10,122,393</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.

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 the 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, 2023 AND 2022

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, 2023 and 2022:

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 as of June 30, as follows:

	<u>2023</u>	<u>2022</u>
Investments:		
Mutual funds	\$ 64,727,355	\$ 60,389,870
Money markets	<u>1,855,062</u>	<u>6,651,893</u>
Total Assets Carried at Fair Value	<u>\$ 66,582,417</u>	<u>\$ 67,041,763</u>

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

	<u>2023</u>	<u>2022</u>
Interest and dividends	\$ 1,770,349	\$ 1,624,394
Realized / Unrealized gain (loss) on investments	4,811,957	(11,254,110)
Investment fees	<u>(56,283)</u>	<u>(57,296)</u>
	<u>\$ 6,526,023</u>	<u>\$ (9,687,012)</u>

NOTE 7 – PROPERTY AND EQUIPMENT

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

	<u>2023</u>	<u>2022</u>	<u>Estimated Useful Lives</u>
Land	\$ 565,172	\$ 565,172	
Buildings and improvements	37,167,843	37,973,233	10-30 Years
Furniture and fixtures	2,569,329	2,389,514	5 Years
Computer systems	3,351,973	2,020,606	3 Years
Vehicles	1,303,964	748,906	3 Years
Construction in progress	<u>473,429</u>	<u>-</u>	
Total cost	45,431,710	43,697,431	
Accumulated depreciation and amortization	<u>(26,332,801)</u>	<u>(24,420,245)</u>	
Net book value	<u>\$ 19,098,909</u>	<u>\$ 19,277,186</u>	

Depreciation and amortization expense for property and equipment amounted to \$3,734,530 and \$3,431,957 for the years ended June 30, 2023 and 2022, respectively.

During the years ended June 30, 2023 and 2022, fully depreciated property and equipment with a total cost and accumulated depreciation and amortization of \$1,821,974 and \$2,204,896, respectively, were written off.

Construction in progress was for building improvements that were completed in September 2023 at no additional cost to complete.

**GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

NOTE 8 – LONG-TERM OBLIGATIONS

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

	<u>2023</u>	<u>2022</u>
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 on December 30, 2026 and is secured by real property.	\$ 1,133,929	\$ 1,457,908
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
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
	<u>\$ 1,133,929</u>	<u>\$ 1,710,542</u>

The future annual principal payments for each of the years subsequent to June 30, 2023 are as follows:

	<u>Mortgages and Loan Payments</u>
2024	\$ 323,980
2025	323,980
2026	323,980
2027	161,989
	<u>\$ 1,133,929</u>

Interest expense incurred for these long-term obligations amounted to \$51,086 and \$204,737 for the years ended June 30, 2023 and 2022, 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 applied for forgiveness on August 18, 2022. In December 2022, Good Shepherd received formal notice of forgiveness on their PPP loan for the full amount including accrued interest, which is included in the accompanying statement of activities as miscellaneous revenue for the year ended June 30, 2023.

**GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2024. As of June 30, 2023 and 2022, Good Shepherd had outstanding balances of \$3,000,000 and \$0, respectively on the bank line of credit. There was no outstanding balance as of March 28, 2024.

NOTE 11 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2023	2022
Purpose restricted:		
Community-based services	\$ 2,460,090	\$ 2,899,364
Foster care	6,040,088	5,099,808
Time restrictions	5,555,186	7,647,702
Unappropriated investment earnings	1,336,819	97,894
Perpetual in nature	22,302,584	22,288,298
	\$ 37,694,767	\$ 38,033,066

Net assets with donor restrictions of \$14,110,127 and \$17,877,495 were released from donor restrictions during the years ended June 30, 2023 and 2022, respectively, by incurring expenses satisfying the restricted purposes, by the occurrence of other events specified by the donors or the passage of time.

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).

GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022

NOTE 12 – ENDOWMENT NET ASSETS (Continued)

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

	Without Donor Restrictions Board Designated Reserves For Endowment	With Donor Restrictions		Total
		Unappropriated Investment Earnings	Perpetual in Nature	
Endowment net assets, beginning of year	\$ 61,180,274	\$ 97,894	\$ 22,288,298	\$ 83,566,466
Investment activity:				
Interest and dividends	1,296,099	474,250	-	1,770,349
Realized/Unrealized gain	3,537,984	1,273,973	-	4,811,957
Contributions	-	-	14,286	14,286
Investment fees	(56,283)	-	-	(56,283)
Amount appropriated for expenditure	(1,391,886)	(509,298)	-	(1,901,184)
Transfers from operating activity	5,055,362	-	-	5,055,362
	<u>8,441,276</u>	<u>1,238,925</u>	<u>14,286</u>	<u>9,694,487</u>
Endowment of net assets, end of year	\$ 69,621,550	\$ 1,336,819	\$ 22,302,584	\$ 93,260,953

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		Total
		Unappropriated Investment Earnings	Perpetual in Nature	
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	449,432	-	1,624,394
Realized/Unrealized loss	(8,140,363)	(3,113,747)	-	(11,254,110)
Contributions	-	-	72,177	72,177
Investment fees	(57,296)	-	-	(57,296)
Amount appropriated for expenditure	(1,743,116)	(666,755)	-	(2,409,871)
Transfers from operating activity	2,901,385	-	-	2,901,385
	<u>(5,864,428)</u>	<u>(3,331,070)</u>	<u>72,177</u>	<u>(9,123,321)</u>
Endowment of net assets, end of year	\$ 61,180,274	\$ 97,894	\$ 22,288,298	\$ 83,566,466

Endowment net assets of \$93,260,953 and \$83,566,466 as of June 30, 2023 and 2022, 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. From time to time, unfavorable market fluctuations that occur in the economy as a whole may cause deficiencies in these funds, whereby the fair market value of the donor-restricted endowment fund is below the amount that is required to be retained in perpetuity. There were no deficiencies in the donor-restricted endowment fund as of June 30, 2023 and 2022.

**GOOD SHEPHERD SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023 AND 2022**

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, 2023 and 2022 amounted to approximately \$1,079,000 and \$988,000, respectively.

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, 2023 and 2022, Good Shepherd has accrued approximately \$1,761,000 and \$1,431,000, respectively, for such benefit, and the accrual is included in accounts payable and accrued expenses in the accompanying statements of financial position.

NOTE 14 – OPERATING LEASES

Good Shepherd leases program and office space under approximately 15 operating leases, with varying end dates between 2023 and 2027. In addition to base rent, Good Shepherd is obligated to pay an additional amount based upon increases in real estate taxes, maintenance and utility costs. Good Shepherd assesses whether an arrangement qualifies as a lease at inception and only reassesses its determination if the terms and conditions of the arrangement are changed. As a result, adopting FASB ASC Topic 842 had no impact on the prior year statement of financial position information, and because these leases are operating leases, the adoption of the standard has no impact on Good Shepherd's change in net assets. Comparative information provided in the following paragraphs was determined using the accounting principles in effect as of and for the year ended June 30, 2022 (i.e. ASC Topic 840). No comparative information is provided for the amounts reported on the statement of financial position as of June 30, 2022 since Good Shepherd used the modified retrospective method of transition that does not require restating the prior period. As of June 30, 2023, the ROU asset and lease liability had a balance of \$12,565,406, as shown in the accompanying statements of financial position. The lease liabilities were calculated utilizing the indicative fixed rate in effect as of the date of adoption, July 1, 2022, ranging from 2.8% - 3.4%, depending on the remaining life of the leases. The weighted average of the remaining leases are 83 months, and the weighted average interest rate of the remaining leases is 3.04%. Future minimum payments for non-cancelable operating leases for the next five years ending after June 30, 2023, and thereafter, are as follows:

2024	\$	2,986,636
2025		2,948,047
2026		2,768,443
2027		2,094,787
2028		1,040,941
Thereafter		<u>2,001,917</u>
		13,840,771
Discount to present value		<u>(1,275,365)</u>
		<u>\$ 12,565,406</u>

NOTE 15 – 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.
- B. In 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 for each of the years ended June 30, 2023 and 2022, and is included as part of miscellaneous revenue and other fees in the accompanying statements of activities.

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NOTE 15 – COMMITMENTS AND CONTINGENCIES (Continued)

- C. 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.
- D. Good Shepherd believes it has no uncertain income tax positions as of June 30, 2023 and 2022, in accordance with FASB ASC Topic 740 "Income Taxes," which provides standards for establishing and classifying any tax provisions for uncertain tax positions.

NOTE 16 – 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, 2023 and 2022, there was approximately \$5.7 million and \$3 million, respectively, of cash held by a bank that exceeded FDIC limits. Such excess includes outstanding checks.

NOTE 17 – SUBSEQUENT EVENTS

Good Shepherd has evaluated, for potential recognition and disclosure, events subsequent to the date of the statement of financial position through March 28, 2024, the date the financial statements were available to be issued.