EISNERAMPER

CENTER FOR URBAN COMMUNITY SERVICES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2021 and 2020

CENTER FOR URBAN COMMUNITY SERVICES, INC.

Contents

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Center for Urban Community Services, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of the Center for Urban Community Services, Inc. and its wholly-controlled entities (together, "CUCS"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses, and cash flows for each of the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Center for Urban Community Services, Inc. and its wholly-controlled entities as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for each of the years then ended, in accordance with accounting principles generally accepted in the United States of America.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
April 7, 2022

CENTER FOR URBAN COMMUNITY SERVICES, INC.

Consolidated Statements of Financial Position

	June 30, 2021	June 30, 2020
ASSETS		
Cash and cash equivalents	**$ 4,083,516**	$ 5,688,033
Government grants receivable	**45,681,064**	31,175,440
Contributions receivable	**363,000**	1,022,000
Accounts receivable	**691,819**	735,197
Investments	**2,032,707**	1,659,433
Notes receivable from limited partnerships	**95,935,121**	81,880,822
Prepaid expenses	**706,399**	550,434
Property and equipment, net	**28,378,289**	25,883,597
Other assets	**570,872**	435,599
Total assets	**$ 178,442,787**	$ 149,030,555
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 13,099,873**	$ 9,329,233
Refundable advances	**24,790,812**	17,868,786
Notes payable	**121,309,741**	103,042,643
Total liabilities	**159,200,426**	130,240,662
Commitments, contingencies, and other uncertainty (Note M)		
Net Assets:		
Without donor restrictions:		
Undesignated and available for operations	**17,209,654**	17,130,460
Board designated – special operating reserve	**2,032,707**	1,659,433
Total net assets without donor restrictions	**19,242,361**	18,789,893
	$ 178,442,787	$ 149,030,555

See notes to consolidated financial statements.

CENTER FOR URBAN COMMUNITY SERVICES, INC.

Consolidated Statements of Activities

	Year Ended June 30, 2021		2020		
	Without Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support and operating revenue:					
Grants and contracts	**$ 66,373,284**	**$ 66,373,284**	$ 62,137,945	$ -	$ 62,137,945
Program service fees	**5,267,422**	**5,267,422**	4,795,621	-	4,795,621
Contributions	**2,955,422**	**2,955,422**	1,977,733	1,022,000	2,999,733
Special event (net of direct benefit to donors of $20,967 in 2021)	**545,483**	**545,483**	-	-	-
Investment income	**364,839**	**364,839**	9,512	-	9,512
Other income	**380,524**	**380,524**	68,057	-	68,057
Total public support and revenue before net assets released from restrictions	**75,886,974**	**75,886,974**	68,988,868	1,022,000	70,010,868
Net assets released from restrictions	**-**	**-**	2,200,000	(2,200,000)	-
Total public support and revenue	**75,886,974**	**75,886,974**	71,188,868	(1,178,000)	70,010,868
Expenses:					
Program services	**68,253,782**	**68,253,782**	62,823,047	-	62,823,047
Supporting services:					
Management and general	**7,358,268**	**7,358,268**	6,976,275	-	6,976,275
Fundraising	**817,556**	**817,556**	598,566	-	598,566
Total expenses	**76,429,606**	**76,429,606**	70,397,888	-	70,397,888
Change in net assets before non-operating activity	**(542,632)**	**(542,632)**	790,980	(1,178,000)	(387,020)
Non-operating activity:					
Gain on loan forgiveness	**995,100**	**995,100**	-	-	-
Change in net assets	**452,468**	**452,468**	790,980	(1,178,000)	(387,020)
Net assets, beginning of year	**18,789,893**	**18,789,893**	17,998,913	1,178,000	19,176,913
Net assets, end of year	**$ 19,242,361**	**$ 19,242,361**	$ 18,789,893	$ -	$ 18,789,893

See notes to consolidated financial statements.

CENTER FOR URBAN COMMUNITY SERVICES, INC.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021
(with summarized financial information for 2020)

	Program Services							Supporting Services		Total Expenses	
	Supportive Housing Services	Outreach and Transitional Services	Project for Psychiatric Outreach to the Homeless	Training and Technical Assistance	Vocational Services	Research	Total Program Services	Management and General	Fund-Raising	2021	2020
Salaries	$ 10,898,717	$ 9,380,393	$ 7,586,721	$ 1,844,707	$ 656,841	$ 141,649	$ 30,509,028	$ 3,925,133	$ 272,660	$ 34,706,821	$ 33,399,680
Fringe benefits	3,360,556	2,881,423	1,618,900	584,399	202,900	43,643	8,691,821	1,088,908	51,805	9,832,534	9,686,920
	14,259,273	12,261,816	9,205,621	2,429,106	859,741	185,292	39,200,849	5,014,041	324,465	44,539,355	43,086,600
Occupancy	917,573	6,678,012	56,732	170,032	-	-	7,822,349	82,346	1,000	7,905,695	5,342,465
Professional fees	9,965	749	12,623	118,043	-	-	141,380	352,780	349,098	843,258	854,721
Equipment expenses	112,090	48,910	9,074	1,652	2,611	-	174,337	15,750	4,058	194,145	246,484
Staff and client travel	21,946	46,409	21,618	749	-	-	90,722	30,948	900	122,570	162,936
Depreciation and amortization	246,492	516,048	39,491	104,585	1,069	-	907,685	152,565	-	1,060,250	1,136,639
Subcontractor costs	1,868,556	9,879,649	107,721	13,517	5,635	-	11,875,078	220,291	533	12,095,902	11,189,136
Repairs and maintenance	458,870	3,775,368	17,396	67,491	21,682	-	4,340,807	114,362	1,374	4,456,543	3,526,439
Supplies and materials	359,036	1,461,768	214,345	39,504	18,609	-	2,093,262	205,446	59,073	2,357,781	2,493,440
Communications	182,516	93,453	33,801	40,703	1,506	-	351,979	59,020	23,332	434,331	378,559
Insurance	18,217	27,988	215,564	289	-	-	262,058	557,181	-	819,239	634,778
Interest	81,170	567,569	16,484	75,986	-	-	741,209	88,043	-	829,252	804,245
Other	98,627	47,991	101,788	3,225	436	-	252,067	465,495	74,690	792,252	541,446
Total expenses	18,634,331	35,405,730	10,052,258	3,064,882	911,289	185,292	68,253,782	7,358,268	838,523	76,450,573	70,397,888
Less: direct benefit to donor	-	-	-	-	-	-	-	-	(20,967)	(20,967)	-
Total expenses	$ 18,634,331	$ 35,405,730	$ 10,052,258	$ 3,064,882	$ 911,289	$ 185,292	$ 68,253,782	$ 7,358,268	$ 817,556	$ 76,429,606	$ 70,397,888

CENTER FOR URBAN COMMUNITY SERVICES, INC.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services							Supporting Services		
	Supportive Housing Services	Outreach and Transitional Services	Project for Psychiatric Outreach to the Homeless	Training and Technical Assistance	Vocational Services	Research	Total Program Services	Management and General	Fund-Raising	Total Expenses
Salaries	$11,273,977	$ 8,318,916	$ 6,814,228	$ 2,134,725	$ 681,335	$ 154,001	$ 29,377,182	$ 3,709,585	$ 312,913	$ 33,399,680
Fringe benefits	3,293,007	2,490,984	1,691,894	640,051	209,713	73,552	8,399,201	1,223,133	64,586	9,686,920
	14,566,984	10,809,900	8,506,122	2,774,776	891,048	227,553	37,776,383	4,932,718	377,499	43,086,600
Occupancy	960,405	4,194,919	59,685	-	-	-	5,215,009	107,456	20,000	5,342,465
Professional fees	3,764	25	15,131	333,111	10	9,318	361,359	388,173	105,189	854,721
Equipment expenses	103,993	59,606	30,519	6,004	5,308	-	205,430	37,485	3,569	246,484
Staff and client travel	22,423	36,004	19,359	43,137	1,012	-	121,935	39,790	1,211	162,936
Depreciation and amortization	255,080	525,694	40,198	107,420	2,550	-	930,942	205,697	-	1,136,639
Subcontractor costs	1,976,877	8,984,657	81,108	16,280	24,670	997	11,084,589	84,918	19,629	11,189,136
Repairs and maintenance	388,992	2,905,908	24,769	67,897	14,154	-	3,401,720	122,792	1,927	3,526,439
Supplies and materials	449,877	1,336,961	320,263	54,214	28,418	-	2,189,733	264,087	39,620	2,493,440
Communications	157,227	80,370	17,494	40,042	815	-	295,948	79,532	3,079	378,559
Insurance	16,043	39,631	206,414	205	-	-	262,293	372,485	-	634,778
Interest	68,814	575,121	13,980	64,442	-	-	722,357	81,888	-	804,245
Other	118,427	100,084	24,271	10,881	1,686	-	255,349	259,254	26,843	541,446
Total expenses	$19,088,906	$ 29,648,880	$ 9,359,313	$ 3,518,409	$ 969,671	$ 237,868	$ 62,823,047	$ 6,976,275	$ 598,566	$ 70,397,888

CENTER FOR URBAN COMMUNITY SERVICES, INC.

Consolidated Statements of Cash Flows

	Year Ended June 30, 2021	Year Ended June 30, 2020
Cash flows from operating activities:		
Change in net assets	**$ 452,468**	$ (387,020)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	**1,060,250**	1,136,639
Net realized and unrealized (gains) losses on investments	**(321,341)**	61,202
Forgiveness of Paycheck Protection Program loan	**(995,100)**	-
Changes in:		
Government grants receivable	**(14,505,624)**	1,066,088
Contributions receivable	**659,000**	(17,796)
Accounts receivable	**43,378**	443,197
Prepaid expenses	**(155,965)**	(78,005)
Other assets	**(135,273)**	(19,999)
Accounts payable and accrued expenses	**3,770,640**	(756,260)
Refundable advances	**6,922,026**	(2,437,033)
Net cash used in operating activities	**(3,205,541)**	(988,987)
Cash flows from investing activities:		
Acquisitions of property and equipment	**(3,554,942)**	(2,682,080)
Purchases of investments	**(168,625)**	(98,503)
Proceeds from sales of investments	**116,692**	-
Loans extended for notes receivable	**(14,054,299)**	(25,231,916)
Net cash used in investing activities	**(17,661,174)**	(28,012,499)
Cash flows from financing activities:		
Proceeds received from line of credit	**5,650,000**	2,000,000
Principle payments made on line-of-credit	**-**	(1,293,094)
Proceeds received from notes payable	**14,054,299**	28,227,016
Principle payments made on notes payable	**(442,101)**	(421,507)
Net cash provided by financing activities	**19,262,198**	28,512,415
Net change in cash and cash equivalents	**(1,604,517)**	(489,071)
Cash and cash equivalents, beginning of year	**5,688,033**	6,177,104
Cash and cash equivalents, end of year	**$ 4,083,516**	$ 5,688,033
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 906,607**	$ 804,245

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES

[1] The Organization:

The accompanying consolidated financial statements include the financial positions and changes in net assets and cash flows of the Center for Urban Community Services, Inc. (the "Center"), CUCS Housing Development Fund Corporation II ("CUCS-HDFC II"), CUCS Housing Development Fund Corporation III ("CUCS-HDFC III"), CUCS Housing Development Fund Corporation IV ("CUCS-HDFC IV"), CUCS Initiatives, Inc. ("Initiatives"), and Janian Medical Care P.C. (the "PC"), the six of which are described below. As used herein, the term "CUCS" refers to the six entities, collectively.

The Center was incorporated in the State of New York in 1994 as a tax-exempt, not-for-profit organization, with its primary purpose being to create comprehensive, effective housing and service programs for homeless and low-income people, particularly those suffering from serious mental illness, HIV/AIDS, and other disabling conditions. CUCS sponsors 20 service sites throughout Manhattan, Brooklyn and the Bronx, which include (i) transitional living communities; (ii) an outreach program; (iii) a job training and employment program; (iv) a training, consultation and housing information services department; (v) a permanent supportive housing program; and (vi) psychiatric outreach to the homeless.

CUCS-HDFC II is a not-for-profit corporation, incorporated in the State of New York, which was formed in February 2008 for the development of low-income housing. As described in Note F[1], CUCS-HDFC II is the sole owner of Lenniger Residences, GP, Inc., which, in turn, owns a small percentage of a limited partnership.

CUCS-HDFC III is a not-for-profit corporation, incorporated in the State of New York, which was formed in August 2012 for the development of low-income housing in the Bronx. As described in Note F[2], CUCS-HDFC III is the sole owner of Arthur Avenue Residences, GP, Inc., which, in turn, owns a small percentage of a limited partnership.

CUCS-HDFC IV is a not-for-profit corporation, incorporated in the State of New York, which was formed in March 2017 for the development of low-income housing. As described in Note F[3], CUCS-HDFC IV is the sole owner of CUCS West 127th Street MM Inc., GP, Inc., which, in turn, owns a small percentage of a limited liability company.

Initiatives is a not-for-profit corporation, incorporated in the State of New York, which was formed in August 2005 and commenced operations in fiscal year 2007. Initiatives was formed for the purpose of providing relief to the poor, distressed, and underprivileged through development in impoverished neighborhoods in the City of New York.

The PC is a not-for-profit corporation, incorporated in the State of New York, which was formed in 2012 to provide an updated legal, administrative and management structure to support and streamline ongoing operations and to allow for the expansion of primary health-care services.

The CUCS entities described above are exempt from federal income taxes under the provisions of Section 501(c)(3) of the U.S. Internal Revenue Code and from state and local taxes under comparable laws.

All inter-entity amounts have been eliminated in consolidation.

[2] Basis of accounting:

The consolidated financial statements of CUCS have been prepared using the accrual basis of accounting and conform to accounting principles generally accepted in the United States of America ("U.S. GAAP") as applicable to not-for-profit organizations.

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[3] Use of estimates:

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues and gains, and expenses, as well as disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

[4] Cash and cash equivalents:

CUCS considers highly liquid financial investments, purchased with a maturity of three months or less, to be cash equivalents, except for balances in money-market funds held in the investment portfolio.

[5] Investments:

CUCS's investments in mutual funds are reported at their fair values in the consolidated statements of financial position based on quoted market prices. Cash and cash equivalents held part of the investment portfolio and are also included in the balance reported as investments.

Investment transactions are recorded on a trade-date basis. Realized gains and losses on investments sold, and unrealized appreciation and depreciation on investments held, are reported in the consolidated statements of activities as increases or decreases in net assets without donor restrictions, unless their use is with donor restrictions through donor stipulation. Realized gains and losses on investments are determined by comparison of the average cost of acquisition to proceeds at the time of disposition. Unrealized gains and losses on investments are determined by comparing the investment's cost to the fair value at the end of each fiscal year. The earnings from dividends and interest are recognized when earned.

CUCS's investments, in general, are subject to various risks, such as interest-rate, market, and credit risks. Due to the level of risk associated with certain investment vehicles, it is at least reasonably possible that changes in the values of those securities could occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

[6] Property and equipment:

Property and equipment are reported at their original costs at the date of acquisition, less accumulated depreciation or amortization. Building and leasehold improvements are capitalized and amortized using the straight-line method over the remaining lease term or the useful lives of the improvements, whichever is shorter. Minor costs for repairs and maintenance are expensed as incurred. Depreciation for property and equipment purchased by CUCS at amounts greater than $2,500 is calculated using the straight-line method over the estimated useful lives of the assets, which range from 20 to 50 years for buildings and improvements, and 3 to 20 years for furniture and fixtures, and equipment. Land is not depreciated.

Management evaluates the recoverability of the investment in long-lived assets on an ongoing basis and recognizes any impairment in the year of determination. There were no triggering events during fiscal years 2021 and 2020 requiring management to test for impairment that would require any adjustments to property and equipment. However, it is reasonably possible that relevant conditions could change in the near term and necessitate a change in management's estimate of the recoverability of these assets.

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[7] Paycheck Protection Program loan payable:

On March 27, 2021, Congress enacted the Coronavirus Aid, Relief, and Economic Security ("CARES") Act. The Paycheck Protection Program ("PPP") established by the CARES Act, implemented by the U.S. Small Business Administration ("SBA"), provided businesses, including certain not-for-profit organizations, with funds to pay payroll and other costs during the coronavirus ("COVID-19") outbreak.

There are two acceptable methods for accounting for the PPP funds received under the CARES Act. Entities can elect to treat the funds as a loan or as a conditional contribution. During fiscal year 2020, CUCS applied for and received a PPP loan. CUCS elected to record these PPP funds as a loan under the Financial Accounting Standards Board's (the "FASB") Accounting Standards Codification ("ASC") 470, *Debt*. During fiscal year 2021, CUCS was notified that its PPP loan was forgiven and, accordingly, that amount has been reflected as a gain on loan forgiveness within the consolidated statements of activities for the fiscal year ended June 30, 2021 (see Note E).

[8] Net assets:

The net assets of CUCS and changes therein are classified and reported as follows:

(i) Net assets without donor restrictions:

Net assets without donor restrictions represents those resources for which there are no donor-imposed restrictions and may be used for the general activities of CUCS. The Board of Directors has designated $2,032,707 and $1,659,433 of net assets without donor restriction in fiscal years 2021 and 2020, respectively, to be maintained as a special operating reserve. Income generated by the special reserve may be used for general operations. Also included within the special operating reserve are amounts of $554,960 and $453,050 as of June 30, 2021 and 2020, respectively, for the George Brager Memorial Scholarship Fund.

(ii) Net assets with donor restrictions:

Net assets with donor restrictions represent those resources that are subject to donor-imposed restrictions, such as specific purposes and/or specific period of time. When a donor restriction expires, that is, when a stipulated time restriction ends, or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as "net assets released from restrictions." It is the policy of CUCS that donations, the restriction of which are satisfied in the year of donation, appear in the category of net assets without donor restrictions.

[9] Revenue recognition:

(i) Grants and contracts:

Revenue from grants and contracts is recognized when costs are earned through the performance of services. The asset "grants receivable" is derived from revenues earned when the grantor or contractor's specified conditions have been met by requisite actions of CUCS's management or necessary events have taken place. The liability "refundable advances" is derived when assets for conditional grants and contracts are received prior to the satisfaction of those conditions (see Note G).

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[9] Revenue recognition: (continued)

(ii) Contributions:

Contributions to CUCS are recognized as revenue upon the receipt either of cash or other assets, or of unconditional pledges. Gifts of goods and equipment are reported as without donor restrictions unless explicit donor stipulations specify how the donated assets are to be used, and gifts of cash or other assets that must be used to acquire long-lived assets are reported as with donor restrictions. In the absence of explicit donor stipulations about the length of time for which long-lived assets must be maintained, CUCS reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Contributions are reported as "with donor restrictions" if they are received with donor stipulations or time considerations as to their use. Conditional contributions are not recorded as revenue until the donor's specified conditions have been met by requisite actions of CUCS's management or necessary events have taken place; if assets for conditional contributions are received prior to the satisfaction of those conditions, they would be recognized in the consolidated statements of financial position as funds received in advance. Contributions to be received over periods longer than a single year are discounted to present value, at an interest rate commensurate with the risk involved.

Gross proceeds paid by attendees at special events held as fundraising activities represents contribution revenue as well as the payment of the direct cost of the benefit received by the attendees at the event. Special event income is reported net of the direct benefit to donors. Special event revenues, other than contributions, applicable to a current year are recognized as revenue in the year a special event takes place. Special event revenue received for a future year's event is deferred and recognized when the event takes place. CUCS did not have any fundraising events in fiscal years 2021 and 2020.

Donated services are recognized in the financial statements if the services: (i) create or enhance nonfinancial assets or require specialized skills; (ii) are provided by individuals possessing these skills; and (iii) would typically need to be acquired if not provided by donation. Accordingly, donated services are recorded as support at their estimated fair value at the dates of donation and are reported as both contributions and offsetting expenses in the consolidated statements of activities. CUCS did not receive any donated services in fiscal years 2021 and 2020.

(iii) Revenue from Contracts with Customers:

CUCS recognizes revenue when, or as, performance obligations are satisfied associated with contracts with customers. Revenue is measured as the amount of consideration CUCS expects to receive in exchange for providing services to customers rendered in accordance with contractual provisions. The primary source of revenue from contracts with customers for CUCS is program service fees. Program service fees relating to the current year are recognized as revenue in the current year.

[10] Measurement of operations:

CUCS includes in its definition of operations, all revenues and expenses that are an integral part of its programs and supporting activities. Gain on loan forgiveness is recognized as a part of non-operating activities.

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[11] Functional allocation of expenses:

The costs of providing CUCS's various program and support services have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present expenses by function and natural classification. Accordingly, direct costs have been functionalized within the program and supporting services based on the nature of the expense. Natural expenses attributable to more than one functional expense category have been allocated among the programs and supporting services based on square footage and certain allocations of resources utilized. The expenses that are allocated include salaries and benefits, occupancy, repairs and maintenance, and supplies and materials.

[12] Income taxes:

CUCS is subject to the provisions of the FASB's ASC Topic 740, *Income Taxes*, relating to accounting and reporting for uncertainty in income taxes. Because of CUCS's general tax-exempt status, management believes ASC Topic 740 has not had, and is not anticipated to have, a material impact on CUCS's consolidated financial statements.

[13] Adoption of accounting principles:

(i) Revenue from Contracts with Customers:

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry specific guidance. ASU 2014-09 requires an entity to recognize revenue depicting the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard permits the use of either the retrospective or cumulative effect transition method. The standard is effective for fiscal years beginning after December 15, 2019, and accordingly, CUCS adopted this pronouncement for its fiscal year ended June 30, 2021 on the retrospective basis. Analysis of the various provisions of this standard resulted in no significant changes in the way CUCS recognized revenue, and therefore no changes to the previously issued audited consolidated financial statements were required on a retrospective basis.

NOTE A - THE ORGANIZATION AND ITS SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

[14] Upcoming accounting pronouncements:

(i) Accounting Updates to Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets:

In September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts in-kind, for not-for-profit organizations. The ASU requires a not-for-profit organization to present contributed nonfinancial assets as a separate line item in the consolidated statements of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, not-for-profit organizations will need to disclose: (i) qualitative information about whether the contributed nonfinancial assets were either monetized or utilized during the reporting period. If utilized, a description of the programs or other activities in which those assets were used; (ii) the not-for-profit's policy (if any) about monetizing rather than utilizing contributed nonfinancial assets; (iii) a description of any donor-imposed restrictions associated with the contributed nonfinancial assets; (iv) the valuation techniques and inputs used to arrive at a fair value measure, in accordance with the requirements in *Topic 820, Fair Value Measurement*, at initial recognition; and (v) the principal market (or most advantageous market) used to arrive at a fair value measure, if it is a market in which the recipient entity is prohibited by a donor imposed restriction from selling or using the contributed nonfinancial assets. The amendments in this ASU will be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. CUCS is currently evaluating the effect that this new guidance will have on the consolidated financial statements and related disclosures.

(ii) Leases:

In February 2016, the FASB issued its lease accounting guidance in ASU 2016-02, *Leases*. ASU 2016- 02 will require lessees to recognize for all leases (with terms of more than 12 months) at the commencement date the following: a) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and b) a right-of-use-asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. The new lease guidance also simplified the accounting for sale and leaseback transactions, primarily because lessees must recognize lease assets and lease liabilities. Lessees will no longer be provided with a source of off-balance sheet financing. As a result of recent deferrals due to COVID-19, ASU 2016-02 will be effective for private not-for-profit organizations for fiscal years beginning after December 15, 2021. CUCS is currently evaluating the effect that this new guidance will have on the consolidated financial statements and related disclosures.

[15] Subsequent events:

CUCS has evaluated subsequent events through April 7, 2022, the date on which the consolidated financial statements are available to be issued.

NOTE B - RECEIVABLES

[1] Government grants receivable:

At each fiscal year-end, amounts due to CUCS from governmental agencies, in support of client services and under the terms of agreements with various federal and City of New York agencies, were as follows:

	June 30,	
	2021	**2020**
Medicaid	**$ -**	$ 130,267
New York City	**42,622,424**	31,045,173
New York State	**3,058,640**	-
	$ 45,681,064	$ 31,175,440

Management periodically evaluates the collectability of government grants made, and accordingly, based on prior history, management considers these receivables to be fully collectible; accordingly, no allowance for doubtful amounts has been established (see Note L).

[2] Contributions receivable:

Unconditional amounts pledged to CUCS, but not yet collected as of the fiscal year-end, have been recorded as contributions receivable. At June 30, 2021 and 2020, contributions receivable of $363,000 and $1,022,000, respectively, were estimated to be collected in the subsequent fiscal year.

Management periodically evaluates the collectability of contributions made, and accordingly, considers all contributions to be fully collectible; accordingly, no allowance for doubtful amounts has been established.

[3] Accounts receivable:

At each fiscal year-end, accounts receivable consisted of amounts due to CUCS for exchange-type transactions. All amounts are due within one year. Based on management's past experience, management periodically evaluates the collectability of its accounts receivables made, and accordingly, no amounts were reserved as uncollectible in either fiscal year 2021 or fiscal year 2020.

NOTE C - INVESTMENTS

At each fiscal year-end, investments consisted of the following:

	June 30,			
	2021		2020	
	Fair Value	Cost	Fair Value	Cost
Money-market funds	**$ 115,314**	**$ 115,314**	$ 79,743	$ 79,743
Mutual funds	**1,917,393**	**1,641,749**	1,579,690	1,625,387
	$ 2,032,707	**$ 1,757,063**	$ 1,659,433	$ 1,705,130

During each fiscal year, investment income consisted of the following:

	Year Ended June 30,	
	2021	2020
Interest and dividends	**$ 43,498**	$ 70,714
Net unrealized gains (losses)	**321,341**	(61,202)
	$ 364,839	$ 9,512

The FASB's ASC Topic 820, *Fair Value Measurements*, establishes a three-level valuation hierarchy of fair-value measurements. These valuation techniques are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions. These two types of inputs create the following fair-value hierarchy:

Level 1: Valuations are based on observable inputs that reflect quoted market prices in active markets for those investments, or similar investments, at the reporting date.

Level 2: Valuations are based on (i) quoted prices for similar investments, in active markets, or (ii) quoted prices for those investments, or similar investments, in markets that are not active, or (iii) pricing inputs other than quoted prices that are directly or indirectly observable at the reporting date.

Level 3: Valuations are based on pricing inputs that are unobservable and include situations where there is little, if any, market activity for the investments or the investments cannot be independently valued.

The availability of market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or valuation techniques may require the transfer of financial instruments from one level to another. The investments held by CUCS at each fiscal year-end are Level 1 investments.

NOTE D - PROPERTY AND EQUIPMENT

At each fiscal year-end, property and equipment consisted of the following:

	June 30, 2021	June 30, 2020
Land	**$ 1,340,640**	$ 1,340,640
Building and improvements	**26,285,318**	26,285,318
Furniture and fixtures	**1,217,550**	967,600
Equipment	**2,401,339**	2,226,338
	31,244,847	30,819,896
Less: accumulated depreciation	**(8,530,992)**	(7,470,742)
	22,713,855	23,349,154
Construction-in-progress	**5,664,434**	2,534,443
	$ 28,378,289	$ 25,883,597

NOTE E - NOTES PAYABLE

At each fiscal year-end, notes payable consisted of the following:

	June 30, 2021	June 30, 2020
PPP loan to Janian, bearing interest at 1.00%	**$ -**	$ 995,100
Nonprofit Finance Fund to CUCS, interest free, due December 2022	**2,000,000**	2,000,000
Build NYC Resource Corporation to Initiatives bearing interest at 4.35%, requiring monthly principal and interest payments over 25 years, due in July 2029	**5,248,619**	5,433,192
New York City Department of Housing Preservation and Development to CUCS-HDFC II, due on the 270th day following substantial completion of the project and converted from a construction loan to a permanent loan (see Note F[1])	**19,716,220**	19,716,220
New York City Housing Development Corporation to CUCS-HDFC III, bearing interest at 1.00%, due in June 2047 (see Note F[2])	**3,315,000**	3,315,000
New York City Housing Development Corporation to CUCS-HDFC III, bearing interest at 1.00%, due in June 2047 (see Note F[2])	**7,020,000**	7,020,000
New York City Housing Development Corporation to CUCS-HDFC III, bearing interest at 1.00%, due in June 2047 (see Note F[2])	**7,020,000**	7,020,000
New York City Housing Development Corporation to CUCS-HDFC IV, bearing interest at 2.75%, due the day following substantial completion of the project and converted from a construction loan to a permanent loan (see Note F[3])	**56,694,465**	42,640,166
Build NYC Resource Corporation to CUCS bearing interest at 4.15%, requiring monthly principal and interest payments over 25 years, due in September 2046	**4,280,883**	4,374,223
Build NYC Resource Corporation to CUCS bearing interest at 4.15%, requiring monthly principal and interest payments over 25 years, due in May 2048	**8,364,554**	8,528,742
	113,659,741	101,042,643
First Republic Bank, line-of-credit up to $10,000,000, at prime rate plus 50 basis points, which was 3.00 and 6.00% at June 30, 2021 and 2020, respectively, paid monthly, due March 2022	**7,650,000**	2,000,000
	$ 121,309,741	$ 103,042,643

NOTE E - NOTES PAYABLE (CONTINUED)

During fiscal year 2020, CUCS applied for and received a PPP loan in the amount of $995,100. CUCS applied for forgiveness of this loan and received notification that the full amount had been forgiven by the SBA during fiscal year 2021.

CUCS incurred interest expense of $906,607 and $804,245 in fiscal years 2021 and 2020, respectively.

Certain covenants exist under the terms of these loans. As of June 30, 2021 and 2020, CUCS is not in violation of any of these covenants. Certain notes are secured by assets of CUCS related to the development of properties.

The principal payments due on notes payable in each of the five years subsequent to June 30, 2021 are as follows:

Year Ending June 30,	Principal
2022	$ 4,788,007
2023	1,981,848
2024	501,940
2025	523,916
2026	547,856
2027-2048	112,966,174
	$ 121,309,741

NOTE F - RELATED-PARTY TRANSACTIONS

At each fiscal year-end, notes receivable consisted of the following:

	June 30,	
	2021	**2020**
Lenniger L.P. (see Note F[1])	**$ 19,721,204**	$ 19,721,204
Arthur Avenue L.P. (see Note F[2])	**19,519,452**	19,519,452
CUCS West 127th Street LLC (see Note F[3])	**56,694,465**	42,640,166
	$ 95,935,121	$ 81,880,822

[1] Lenniger L.P.:

In December 2009, Lenniger Residences, GP, Inc. ("Lenniger Inc.") was organized as a New York corporation to acquire, own, finance, construct, develop, lease, manage and operate real property owned by Lenniger Residences, L.P. ("Lenniger L.P."), a New York State limited partnership. The sole owner of Lenniger Inc. is CUCS-HDFC II. Lenniger Inc. is the general partner of Lenniger L.P. and holds a .01% interest in the partnership.

In May 2008, CUCS-HDFC II financed the purchase of 2013-2018 Hughes Avenue, The Bronx ("2013 Hughes Avenue"). In December 2009, beneficial title in 2013 Hughes Avenue was transferred to Lenniger L.P. in exchange for a mortgage note receivable.

NOTE F - RELATED-PARTY TRANSACTIONS (CONTINUED)

[1] Lenniger L.P.: (continued)

The project construction was financed through (i) a loan from the New York City Department of Housing Preservation and Development ("HPD") in the principal amount of $20,039,954 (the "HPD Loan") that was funded with funds provided by (a) the federal HOME Investments Partnership Program for $11,151,468, and (b) the American Recovery and Reinvestment Act of 2009 Tax Credit Assistance Program ("ARRA TCAP") program for $8,888,486, (ii) an equity investment made by the limited partners of Lenniger L.P. in the amount of $7,931,250, (iii) a grant from the New York State Energy Research and Development Authority ("NYSERDA") in the amount of $40,000, and (iv) a private grant from Enterprise Green in the amount of $25,000.

As a result of this financing, at June 30, 2021 and 2020, CUCS has reported, in the consolidated statements of financial position, a note receivable of $19,721,204, in each fiscal year, due from Lenniger L.P. and a note payable of $19,716,220 in each fiscal year, representing the existing drawdown on the HPD Loan.

[2] Arthur Avenue L.P.:

In December 2013, Arthur Avenue Residences, GP, Inc. ("Arthur Avenue Inc.") was organized as a New York corporation to acquire, own, finance, construct, develop, lease, manage and operate real property owned by Arthur Avenue Residence, L.P. ("Arthur Avenue L.P."), a New York State limited partnership. The sole owner of Arthur Avenue Inc. is CUCS-HDFC III. Arthur Avenue Inc. is the general partner of Arthur Avenue L.P. and holds a .01% interest in the partnership.

In July 2012, CUCS-HDFC III financed the purchase of 2116-2128 Arthur Avenue, The Bronx ("Arthur Avenue") with a loan from the New York City Acquisition Fund, LLC ("NYCAF"). In December 2013, Arthur Avenue construction financing was obtained and the New York City Acquisition Fund, LLC financing was repaid.

In fiscal year 2015, CUCS also received a state aid grant from New York State Office of Mental Health ("OMH") in the amount of $2,099,652, for the construction of the Arthur Avenue project, which was loaned to Arthur Avenue L.P. At June 30, 2021 and 2020, CUCS has reported in the consolidated statement of financial position a note receivable of $2,099,652, due from Arthur Avenue L.P.

In fiscal year 2016, CUCS also received a grant from NYSERDA in the amount of $129,600, in connection with the construction of the Arthur Avenue project, which was loaned to Arthur Avenue L.P. At June 30, 2021 and 2020, CUCS has reported in the accompanying consolidated statement of financial position a note receivable of $64,800 due from Arthur Avenue L.P.

In May 2017, the project construction financing was converted to permanent financing and is now financed through (i) three loans from the New York City Housing Development Corporation in the principal amounts of $3,315,000, $7,020,000 and $7,020,000, respectively, and (ii) a loan from the New York State Homeless Housing Assistance Corporation in the principal amount of $3,825,000, and (iii) a grant from OMH in the principal amount of $2,099,652.

As a result of this financing, at June 30, 2021 and 2020, CUCS has reported, in the consolidated statements of financial position, a note receivable of $17,355,000 in each fiscal year, due from Arthur Avenue L.P., and notes payable totaling $17,355,000, each year respectively, representing the project's permanent financing.

NOTE F - RELATED-PARTY TRANSACTIONS (CONTINUED)

[3] CUCS West 127th Street LLC:

In April 2018, CUCS West 127th Street MM Inc. ("127th Street Inc.") was organized as a New York corporation to acquire, own, finance, construct, develop, lease, manage and operate real property owned by CUCS West 127th Street LLC ("127th Street LLC"), a New York State limited liability company. The sole owner of 127th Street Inc. is CUCS-HDFC IV. 127th Street Inc. is the managing member of 127th Street LLC and holds a .01% interest in the company.

In June 2018, the New York City Housing Development Corporation ("HDC") agreed to provide construction and permanent financing. The construction of the project will be financed through (i) three mortgage loans from HDC totaling approximately $60,000,000, (ii) a mortgage loan from New York State Housing and Assistance Corporation of $7,750,000, (iii) an equity investment of approximately $14,000,000 by the tax-credit investor and (iv) various sponsor loans totaling approximately $4,000,000. The total construction cost of the project is estimated to be $86,000,000. During fiscal years 2021 and 2020, HDC distributed $14,054,299 and $25,231,915, respectively, to assist in the construction and permanent financing and is included as a note payable in the consolidated statement of financial position. In addition, CUCS-HDFC IV will convey beneficial title to the real property in exchange for an escalating note receivable based on construction costs of $56,694,465 and $42,640,166 in fiscal years 2021 and 2020, respectively, and is reported in the consolidated statements of financial position.

NOTE G - REFUNDABLE ADVANCES

CUCS has received funding relating to certain contracts and grants from various government agencies prior to CUCS performing the related services as required by those contracts. At June 30, 2021 and 2020, amounts relating to funds received in advance were $24,390,812 and $17,868,786, respectively.

NOTE H - NET ASSETS WITH DONOR RESTRICTIONS

At both June 30, 2021 and 2020, respectively, there were no net assets with donor restrictions. During fiscal year 2020, $2,200,000 of net assets with donor restrictions were released due to the satisfaction of program restrictions.

NOTE I - RETIREMENT PLANS

The Center provides a defined-contribution section 403(b) plan for all full-time employees, and the PC provides a section 401(k) plan for its workers. Employer contributions are available to all employees after two full years of service. Total pension expense for fiscal years 2021 and 2020 was $1,207,556 and $1,102,265, respectively.

NOTE J - SPECIAL-PURPOSE ENTITIES

In fiscal years 2021 and 2020, the following entities of CUCS reported support and revenue and related expenses, which are subject to elimination in the consolidated financial statements, for each of its special purpose entities as follows:

	Year Ended June 30, 2021		**Year Ended June 30, 2020**	
	Initiatives	**PC**	**Initiatives**	**PC**
Support and revenue	**$ 803,277**	**$ 11,411,316**	$ 803,274	$ 9,420,670
Expenses	**$ 672,243**	**$ 10,872,671**	$ 637,805	$ 9,820,921

NOTE K - CLIENT/REPRESENTATIVE PAYEE ACCOUNT

CUCS acts as a representative for funds paid to over 100 clients who receive services from CUCS. Cash received on behalf of the clients is initially deposited in individual "client" accounts at Citibank. Depending on the level of a client's needs for funds, a portion is subsequently transferred to a primary account. Payments for rents and for certain personal needs of the clients are made from the primary account. Interest, if any, is accumulated in the individual client accounts. During fiscal year 2021, the activity in these accounts, which is not included in the accompanying consolidated financial statements, was as follows:

Client accounts:	
Balance as of June 30, 2020	$ 470,316
Deposits	3,780,997
Transfers to the primary account	(3,706,423)
Balance as of June 30, 2021	**$ 544,890**
Primary account:	
Balance as of June 30, 2020	$ 131,622
Transfers from the client accounts	840,272
Disbursements	(882,335)
Balance as of June 30, 2021	**$ 89,559**

NOTE L - CONCENTRATION OF CREDIT RISK

CUCS received grants from New York City and New York State governmental agencies in the amounts of approximately $65,962,000 and $58,800,000 for the fiscal years ended June 30, 2021 and 2020, respectively. Such grants represented approximately 85% and 84% of total public support and revenue for fiscal years 2021 and 2020, respectively. In the event the governmental agencies were not able to continue funding CUCS, CUCS could experience difficulties in supporting their operations.

Financial instruments that potentially expose CUCS to a concentration of credit risk consist primarily of cash accounts with major financial institutions in amounts that are in excess of federally insured limits. Management believes that the credit risk to these accounts is minimal.

NOTE M - COMMITMENTS, CONTINGENCIES AND OTHER UNCERTAINTY

[1] Operating leases:

At June 30, 2021, CUCS was obligated under various operating leases expiring through CUCS's fiscal year 2026. For fiscal years subsequent to fiscal-year 2021, minimum annual future rental commitments under the lease agreements are as follows:

Year Ending June 30,	Amount
2022	$ 7,832,584
2023	7,832,584
2024	7,832,584
2025	7,832,584
2026	7,832,584
	$ 39,162,920

Rent expense for fiscal years 2021 and 2020 was approximately $6,651,000 and $3,950,000, respectively.

NOTE M - COMMITMENTS, CONTINGENCIES AND OTHER UNCERTAINTY (CONTINUED)

[2] Audits by funding sources:

In the course of business, CUCS's government grants are regularly subject to government audits. As of June 30, 2021 and 2020, a provision of approximately $269,000 and $360,000 was made for any liabilities that may arise from such audits, respectively, and in the event of any disallowances or adjustments to this provision, the change would be reported accounts payable and accrued expenses in the consolidated financial statements in the years of settlement.

[3] Accrued vacation:

Based on their tenure, CUCS's employees are entitled to be paid for unused vacation time if they leave the organization's employment. Accordingly, at each fiscal year-end, CUCS acknowledges a maximum liability for the amount that would be incurred if employees with such unused vacation were to leave. At June 30, 2021 and 2020, the amounts of the unreported accrued vacation obligation were $2,226,773 and $2,114,465, respectively.

[4] State aid grants:

In fiscal year 2002, CUCS received a state aid grant from OMH in the amount of $701,600, for the purchase of the Kelly Hotel in Manhattan. The grant was recognized fully as revenue in the fiscal year it was awarded. CUCS is contingently obligated to refund the amount of the grant if it does not manage the hotel in compliance with the grant's terms. However, OMH reduces the potential amount due by an amount equal to 5% of the total for each full fiscal year (starting with fiscal year 2003) in which CUCS performs the obligation in accordance with the grant agreement.

At June 30, 2021, the contingent liability for the Kelly Hotel was calculated at $35,080, an amount which has not been reported in the accompanying consolidated financial statements, as CUCS has been in compliance with the project award.

In fiscal year 2015, CUCS received a state aid grant from OMH in the amount of $2,099,652 for the construction of the Arthur Avenue project. CUCS is contingently obligated to refund the amount of the grant if it does not manage the project in compliance with the grant's terms. However, OMH will reduce the potential amount due by an amount equal to 5% of the total for each full fiscal year (starting with fiscal year the asset is placed in service) in which CUCS performs the obligation in accordance with the grant agreement.

At June 30, 2021, the contingent liability for the Arthur Avenue project was calculated at $1,469,756, an amount which has not been reported in the accompanying consolidated financial statements, as CUCS has been in compliance with the project award.

[5] COVID-19:

The extent of the impact of COVID-19 outbreak on CUCS's programming, operational and financial performance has had a non-material impact on CUCS. CUCS will continue to monitor future developments of the outbreak and any potential economic impact brought by the duration of the COVID-19 pandemic on CUCS's operations.

NOTE N - LIQUIDITY AND AVAILABILITY OF RESOURCES

The following reflects CUCS's financial assets as of each fiscal year-end, reduced by amounts not available for general use within one year of statement of financial position date because of contractual or donor-imposed restrictions or internal designations:

	June 30, 2021	June 30, 2020
Cash and cash equivalents	**$ 4,083,516**	$ 3,721,229
Government grants receivable	**45,681,064**	31,175,440
Contributions receivable	**363,000**	1,022,000
Accounts receivable	**691,819**	735,197
Investments	**2,032,707**	1,659,433
Total financial assets available within one year	**52,852,106**	38,313,299
Amounts unavailable to management without Board's approval:		
Board-designated funds - special operating reserve	**(2,032,707)**	(1,659,433)
Total financial assets available to meet cash needs for general expenditures within one year	**$ 50,819,399**	$ 36,653,866

Liquidity policy:

CUCS maintains a sufficient level of operating cash and investments to be available as its general expenditures, liabilities, and other obligations come due as part of its liquidity management. Additionally, CUCS has Board-designated funds whereby amounts could be made available for current operations, if necessary; however, CUCS does not intend to spend these funds for purposes other than those approved by the Board. Further, CUCS has the ability to access additional resources associated with a line-of-credit agreement it had entered into with a bank (see Note E).