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CENTER FOR URBAN COMMUNITY SERVICES, INC.

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2022 and 2021

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 Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Center for Urban Community Services, Inc. ("CUCS"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Center for Urban Community Services, Inc. as of June 30, 2022 and 2021, and the consolidated changes in their net assets and their cash flows for each of 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 CUCS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

CUCS's management is responsible for the preparation and fair presentation of these 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 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 CUCS'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 consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of CUCS'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 CUCS'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.

EisnerAmper LLP

EISNERAMPER LLP
New York, New York
March 30, 2023

CENTER FOR URBAN COMMUNITY SERVICES, INC.

Consolidated Statements of Financial Position

	June 30, 2022	June 30, 2021
ASSETS		
Cash, cash equivalents and restricted cash	**$ 17,025,345**	$ 4,083,516
Government grants receivable	**54,700,389**	45,681,064
Contributions receivable	**294,000**	363,000
Accounts receivable	**1,438,937**	691,819
Investments	**1,818,340**	2,032,707
Notes receivable from limited partnerships	**72,858,863**	95,935,121
Prepaid expenses	**837,019**	706,399
Property and equipment, net	**43,861,401**	28,378,289
Other assets	**680,179**	570,872
Total assets	**$ 193,514,473**	$ 178,442,787
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	**$ 14,367,355**	$ 13,099,873
Refundable advances	**29,301,179**	24,790,812
Notes payable	**130,317,044**	121,309,741
Total liabilities	**173,985,578**	159,200,426
Commitments, contingencies, and other uncertainty (Note L)		
Net Assets:		
Without donor restrictions:		
Undesignated and available for operations	**$ 17,710,555**	17,209,654
Board designated – special operating reserve	**1,818,340**	2,032,707
Total net assets without donor restrictions	**19,528,895**	19,242,361
	$ 193,514,473	$ 178,442,787

CENTER FOR URBAN COMMUNITY SERVICES, INC.

Consolidated Statements of Activities

	Year Ended June 30,	
	2022	**2021**
Public support and operating revenue:		
Grants and contracts	**$ 70,796,863**	$ 66,373,284
Program service fees	**5,991,799**	5,267,422
Contributions	**3,135,170**	2,955,422
Special event (net of direct benefit to donors of $20,967 in 2021)	**-**	545,483
Investment income	**(226,064)**	364,839
Other income	**2,347,923**	380,524
Total public support and revenue	**82,045,691**	75,886,974
Expenses:		
Program services	**72,494,839**	68,253,782
Supporting services:		
Management and general	**8,479,706**	7,358,268
Fundraising	**784,612**	817,556
Total expenses	**81,759,157**	76,429,606
Change in net assets before non-operating activity	**286,534**	(542,632)
Non-operating activity:		
Gain on loan forgiveness	**-**	995,100
Increase in net assets	**286,534**	452,468
Net assets, beginning of year	**19,242,361**	18,789,893
Net assets, end of year	**$ 19,528,895**	$ 19,242,361

CENTER FOR URBAN COMMUNITY SERVICES, INC.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2022
(with summarized financial information for 2021)

	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	2022	2021
Salaries	$ 10,897,706	$ 9,999,027	$ 8,390,379	$ 1,865,557	$ 600,039	$ 133,356	$ 31,886,064	$ 4,171,853	$ 224,249	$ 36,282,166	$ 34,706,821
Fringe benefits	3,258,014	3,002,714	1,939,911	543,430	179,237	9,339	8,932,645	874,345	43,137	9,850,127	9,832,534
	14,155,720	13,001,741	10,330,290	2,408,987	779,276	142,695	40,818,709	5,046,198	267,386	46,132,293	44,539,355
Occupancy	919,129	6,994,200	131,964	181,190	-	-	8,226,483	185,816	-	8,412,299	7,905,695
Professional fees	26,577	-	210,592	4,113	-	-	241,282	620,962	383,781	1,246,025	843,258
Equipment expenses	442,317	125,736	10,209	3,712	2,126	-	584,100	22,421	5,360	611,881	194,145
Staff and client travel	64,696	74,821	19,887	2,556	485	-	162,445	28,738	160	191,343	122,570
Depreciation and amortization	279,909	492,632	39,491	96,963	1,641	-	910,636	149,607	20	1,060,263	1,060,250
Subcontractor costs	2,434,585	10,271,830	63,896	35,994	11,296	-	12,817,601	195,222	3,925	13,016,748	12,095,902
Repairs and maintenance	405,492	4,103,617	19,318	59,594	23,745	-	4,611,766	106,034	1,611	4,719,411	4,456,543
Supplies and materials	496,559	1,470,639	369,535	70,273	31,569	-	2,438,575	127,507	27,121	2,593,203	2,357,781
Communications	270,111	110,809	31,650	40,395	2,391	-	455,356	61,174	8,905	525,435	434,331
Insurance	27,272	34,345	260,397	-	-	-	322,014	701,683	-	1,023,697	819,239
Interest	70,563	552,659	14,330	66,057	-	-	703,609	211,689	-	915,298	829,252
Other	121,850	39,350	35,197	3,691	2,114	61	202,263	1,022,655	86,343	1,311,261	792,252
Total expenses	19,714,780	37,272,379	11,536,756	2,973,525	854,643	142,756	72,494,839	8,479,706	784,612	81,759,157	76,450,573
Less: direct benefit to donor	-	-	-	-	-	-	-	-	-	-	(20,967)
Total expenses as reported on consolidated statement of activities	$ 19,714,780	$ 37,272,379	$ 11,536,756	$ 2,973,525	$ 854,643	$ 142,756	$ 72,494,839	$ 8,479,706	$ 784,612	$ 81,759,157	$ 76,429,606

CENTER FOR URBAN COMMUNITY SERVICES, INC.

Consolidated Statement of Functional Expenses
Year Ended June 30, 2021

	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	$ 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
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
	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
Occupancy	917,573	6,678,012	56,732	170,032	-	-	7,822,349	82,346	1,000	7,905,695
Professional fees	9,965	749	12,623	118,043	-	-	141,380	352,780	349,098	843,258
Equipment expenses	112,090	48,910	9,074	1,652	2,611	-	174,337	15,750	4,058	194,145
Staff and client travel	21,946	46,409	21,618	749	-	-	90,722	30,948	900	122,570
Depreciation and amortization	246,492	516,048	39,491	104,585	1,069	-	907,685	152,565	-	1,060,250
Subcontractor costs	1,868,556	9,879,649	107,721	13,517	5,635	-	11,875,078	220,291	533	12,095,902
Repairs and maintenance	458,870	3,775,368	17,396	67,491	21,682	-	4,340,807	114,362	1,374	4,456,543
Supplies and materials	359,036	1,461,768	214,345	39,504	18,609	-	2,093,262	205,446	59,073	2,357,781
Communications	182,516	93,453	33,801	40,703	1,506	-	351,979	59,020	23,332	434,331
Insurance	18,217	27,988	215,564	289	-	-	262,058	557,181	-	819,239
Interest	81,170	567,569	16,484	75,986	-	-	741,209	88,043	-	829,252
Other	98,627	47,991	101,788	3,225	436	-	252,067	465,495	74,690	792,252
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
Less: direct benefit to donor	-	-	-	-	-	-	-	-	(20,967)	(20,967)
Total expenses as reported on consolidated statement of activities	$ 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

See notes to consolidated financial statements.

CENTER FOR URBAN COMMUNITY SERVICES, INC.

Consolidated Statements of Cash Flows

	Year Ended June 30, 2022	Year Ended June 30, 2021
Cash flows from operating activities:		
Increase in net assets	**$ 286,534**	$ 452,468
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	**1,060,263**	1,060,250
Net realized and unrealized losses (gains) on investments	**320,109**	(321,341)
Forgiveness of Paycheck Protection Program loan	**-**	(995,100)
Changes in:		
Government grants receivable	**(9,019,325)**	(14,505,624)
Contributions receivable	**69,000**	659,000
Accounts receivable	**(747,118)**	43,378
Prepaid expenses	**(130,620)**	(155,965)
Other assets	**(109,307)**	(135,273)
Accounts payable and accrued expenses	**1,267,482**	3,770,640
Refundable advances	**4,510,367**	6,922,026
Net cash used in operating activities	**(2,492,615)**	(3,205,541)
Cash flows from investing activities:		
Acquisitions of property and equipment	**(16,543,375)**	(3,554,942)
Purchases of investments	**(592,608)**	(168,625)
Proceeds from sales of investments	**486,866**	116,692
Loans extended for notes receivable	**(3,535,141)**	(14,054,299)
Net cash used in investing activities	**(20,184,258)**	(17,661,174)
Cash flows from financing activities:		
Proceeds received from line of credit	**2,700,000**	5,650,000
Proceeds received from notes payable	**33,880,141**	14,054,299
Principle payments made on notes payable	**(961,439)**	(442,101)
Net cash provided by financing activities	**35,618,702**	19,262,198
Net change in cash, cash equivalents and restricted cash	**12,941,829**	(1,604,517)
Cash, cash equivalents and restricted cash, beginning of year	**4,083,516**	5,688,033
Cash and cash equivalents, end of year	**$ 17,025,345**	$ 4,083,516
Supplemental disclosures of cash flow information:		
Cash paid for interest	**$ 915,298**	$ 906,607
Non-cash investing activities:		
Conversion of note receivable - HDC	**$ 26,384,939**	
Conversion of note receivable - HDC	**$ 226,460**	
Non-cash financing activities:		
Conversion of note payable - HDC	**$ 26,384,939**	
Conversion of note receivable - HDC	**$ 226,460**	

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 healthcare 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 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. Included in cash and cash equivalents at June 30, 2022 is restricted cash of approximately $14,636,000 representing loan proceeds received from the Build NYC Resource Corporation to assist in the development of a transitional housing program (see Note E).

[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 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 when triggering events indicate that the fair value of the long-lived assets may be less than the carrying value, recognizes any impairment in the year of determination. There were no triggering events during fiscal years 2022 and 2021 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, 2022, 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 in the amount of $995,100. 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 had been reflected as a gain on loan forgiveness within the consolidated statements of activities for the fiscal year ended June 30, 2021.

[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 $1,818,340 and $2,032,707 of net assets without donor restriction in fiscal years 2022 and 2021, 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 $496,043 and $554,960 as of June 30, 2022 and 2021, 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 year 2022.

(iii) In-kind:

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 2022 and 2021.

(iv) 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.

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

[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.

[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 financial statements.

[13] Adoption of accounting principle:

In September 2020, the FASB issued Accounting Standards Update ("ASU") Update 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 statements of activities, apart from contributions of cash or other financial assets. For each category of contributed nonfinancial assets recognized, not-for-profit organization 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, 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's adoption of this accounting standard did not have a material effect on the CUCS's financial statements.

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

[14] Upcoming accounting pronouncement:

In February 2016, the FASB issued its new 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. The standard is effective for CUCS for the fiscal year beginning after December 15, 2021. Upon the adoption of the guidance, operating leases are capitalized on the statements of financial position at the present value of lease payments, using the applicable incremental borrowing rate, or risk-free rate, at the date of adoption. The impact on CUCS's financial statements is currently being evaluated.

[15] Subsequent events:

CUCS has evaluated subsequent events through March 30, 2023, the date on which the 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,	
	2022	**2021**
New York City	**$ 50,028,542**	$ 42,622,424
New York State	**4,671,847**	3,058,640
	$ 54,700,389	$ 45,681,064

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 K).

[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, 2022 and 2021, contributions receivable of $294,000 and $363,000, 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.

NOTE B - RECEIVABLES (CONTINUED)

[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 2022 or fiscal year 2021.

NOTE C - INVESTMENTS

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

	June 30,			
	2022		2021	
	Fair Value	Cost	Fair Value	Cost
Money-market funds	**$ 123,016**	**$ 123,016**	$ 115,314	$ 115,314
Mutual funds	**1,695,324**	**1,827,957**	1,917,393	1,641,749
	$ 1,818,340	**$ 1,950,973**	$ 2,032,707	$ 1,757,063

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

	Year Ended June 30,	
	2022	2021
Interest and dividends	**$ 94,045**	$ 43,498
Realized gains	**88,168**	-
Net unrealized (losses) gains	**(408,277)**	321,341
	$ (226,064)	$ 364,839

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.

NOTE C - INVESTMENTS (CONTINUED)

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, 2022	June 30, 2021
Land	**$ 2,090,640**	$ 1,340,640
Building and improvements	**26,285,318**	26,285,318
Furniture and fixtures	**1,217,550**	1,217,550
Equipment	**2,985,589**	2,401,339
	32,579,097	31,244,847
Less: accumulated depreciation	**(9,591,255)**	(8,530,992)
	22,987,842	22,713,855
Construction-in-progress	**20,873,559**	5,664,434
	$ 43,861,401	$ 28,378,289

NOTE E - NOTES PAYABLE

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

	June 30, 2022	June 30, 2021
Nonprofit Finance Fund to CUCS, interest free, due October 2024	**$ 1,500,000**	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 2039	**5,055,754**	5,248,619
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 6.10%, requiring monthly interest and principal payments, due in June 2047 (see Note F[2])	**3,088,540**	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
New York City Housing Development Corporation to CUCS-HDFC IV, bearing interest at 4.50%, interest deferred and compounded monthly, due in June 2062 (see Note F[3])	**16,718,897**	-
New York City Housing Development Corporation to CUCS-HDFC IV, bearing interest at 5.575%, requiring monthly interest and principal payments, due in June 2062 (see Note F[3])	**10,230,000**	-
New York City Housing Development Corporation to CUCS-HDFC IV, bearing interest at 3.26%, requiring interest-only payments at 1.00% with the interest balance deferred and compounded monthly, due in June 2062 (see Note F[3])	**6,895,770**	-
Build NYC Resource Corporation to CUCS bearing interest at 4.15%, requiring monthly principal and interest payments over 25 years, due in September 2046	**4,183,539**	4,280,883
Build NYC Resource Corporation to CUCS bearing interest at 4.15%, requiring monthly principal and interest payments over 25 years, due in May 2048	**8,193,324**	8,364,554
Build NYC Resource Corporation to CUCS bearing interest at 4.00%, requiring monthly principal and interest payments over 30 years, due in June 2052	**2,720,000**	-
Build NYC Resource Corporation to CUCS bearing interest at 2.70%, requiring monthly principal and interest payments over 30 years, due in June 2052	**27,625,000**	-
	119,967,044	113,659,741
First Republic Bank, line-of-credit up to $12,000,000, at prime rate plus 50 basis points, which was 4.50% and 3.00% at June 30, 2022 and 2021, respectively, paid monthly, due December 2022	**10,350,000**	7,650,000
	$ 130,317,044	$ 121,309,741

CUCS incurred interest expense of $915,298 and $906,607 in fiscal years 2022 and 2021, respectively.

Certain covenants exist under the terms of these loans. As of June 30, 2022 and 2021, CUCS is not in violation of any of these covenants. Certain notes are secured by assets of CUCS related to the development of properties.

NOTE E - NOTES PAYABLE (CONTINUED)

The principal payments due on notes payable in each of the five years subsequent to June 30, 2022 are as follows:

Year Ending June 30,	Principal
2023	$ 5,896,784
2024	2,191,735
2025	1,738,026
2026	1,281,668
2027	1,326,926
2028-2062	117,881,905
	$ 130,317,044

NOTE F - RELATED-PARTY TRANSACTIONS

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

	June 30, 2022	June 30, 2021
Lenniger L.P. (see Note F[1])	**$ 19,721,204**	$ 19,721,204
Arthur Avenue L.P. (see Note F[2])	**19,292,992**	19,519,452
CUCS West 127th Street LLC (see Note F[3])	**33,844,667**	56,694,465
	$ 72,858,863	$ 95,935,121

[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.

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, 2022 and 2021, 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.

NOTE F - RELATED-PARTY TRANSACTIONS (CONTINUED)

[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, 2022 and 2021, 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, 2022 and 2021, 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. During fiscal year 2022, Arthur Avenue L.P. made principal payments in the amount of $226,460.

As a result of this financing, at June 30, 2022 and 2021, CUCS has reported, in the consolidated statements of financial position, a note receivable of $17,128,540 and $17,355,000, respectively, due from Arthur Avenue L.P., and notes payable totaling $17,128,540 and $17,355,000, respectively, representing the project's permanent financing.

[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.

NOTE F - RELATED-PARTY TRANSACTIONS (CONTINUED)

[3] CUCS West 127th Street LLC: (continued)

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 2022 and 2021, HDC distributed $3,535,141 and $14,054,299, 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 $60,229,606 an $56,694,465 in fiscal years 2022 and 2021, respectively, and is reported in the consolidated statements of financial position.

In June 2022, the project construction financing was converted to permanent financing and is now financed through three loans from the New York City Housing Development Corporation in the principal amounts of $10,230,000, $6,895,770 and $16,718,897, respectively.

As a result of this financing, at June 30, 2022, CUCS has reported, in the consolidated statements of financial position, a note receivable of $33,844,667 and $56,694,465 in fiscal years 2022 and 2021, respectively, due 127th Street LLC., and notes payable totaling $33,844,667, representing the project's permanent financing.

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, 2022 and 2021, amounts relating to funds received in advance were $29,301,179 and $24,390,812, respectively.

NOTE H - 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 2022 and 2021 was $1,235,566 and $1,207,556, respectively.

NOTE I - SPECIAL-PURPOSE ENTITIES

In fiscal years 2022 and 2021, 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, 2022		Year Ended June 30, 2021	
	Initiatives	**PC**	**Initiatives**	**PC**
Support and revenue	**$ 803,302**	**$ 12,759,243**	$ 803,277	$ 11,411,316
Expenses	**$ 640,820**	**$ 11,872,379**	$ 672,243	$ 10,872,671

NOTE J - 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 a bank. 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 2022, 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, 2021	$ 544,890
Deposits	3,165,407
Transfers to the primary account	(3,107,172)
Balance as of June 30, 2022	**$ 603,125**
Primary account:	
Balance as of June 30, 2021	$ 89,559
Transfers from the client accounts	746,830
Disbursements	(744,166)
Balance as of June 30, 2022	**$ 92,223**

NOTE K - CONCENTRATION OF CREDIT RISK

CUCS received grants from New York City and New York State governmental agencies in the amounts of approximately $70,208,000 and $65,962,000 for the fiscal years ended June 30, 2022 and 2021, respectively. Such grants represented approximately 85% of total public support and revenue for both fiscal years 2022 and 2021, 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 L - COMMITMENTS, CONTINGENCIES AND OTHER UNCERTAINTY

[1] Operating leases:

At June 30, 2022, CUCS was obligated under various operating leases expiring through CUCS's fiscal year 2026. For fiscal years subsequent to fiscal-year 2022, minimum annual future rental commitments under the lease agreements are as follows:

Year Ending June 30,	Amount
2023	$ 7,118,454
2024	7,118,454
2025	7,118,454
2026	7,118,454
2027	7,118,454
	$ 35,592,270

Rent expense for fiscal years 2022 and 2021 was approximately $6,946,000 and $6,651,000, respectively.

NOTE L - 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, 2022 and 2021, a provision of approximately $348,000 and $269,000 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, 2022 and 2021, the amounts of the unreported accrued vacation obligation were $2,046,464 and $2,226,773, 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, 2022, the contingent liability for the Kelly Hotel had been fully amortized 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, 2022, the contingent liability for the Arthur Avenue project was calculated at $1,364,771, 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 M - 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, 2022	June 30, 2021
Cash and cash equivalents (net of restricted cash)	**$ 2,389,293**	$ 4,083,516
Government grants receivable	**54,700,389**	45,681,064
Contributions receivable	**294,000**	363,000
Accounts receivable	**1,438,937**	691,819
Investments	**1,818,340**	2,032,707
Total financial assets available within one year	**60,640,959**	52,852,106
Amounts unavailable to management without Board's approval:		
Board-designated funds - special operating reserve	**(1,818,340)**	(2,032,707)
Total financial assets available to meet cash needs for general expenditures within one year	**$ 58,822,619**	$ 50,819,399

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).