

St. George's Society of New York

Financial Statements
(Modified Cash Basis)

December 31, 2021

Independent Auditors' Report

**To the Officers and the Board of Directors of
St. George's Society of New York**

Opinion

We have audited the accompanying financial statements (modified cash basis) of St. George's Society of New York, which comprise of the statement of assets, liabilities and net assets (modified cash basis) as of December 31, 2021, and the related statements of revenue, expenses and change in net assets (modified cash basis) and functional expenses (modified cash basis) for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets and net assets of St. George's Society of New York as of December 31, 2021, and its revenue and expenses for the year then ended, in accordance with the basis of accounting described in Note 2.

Basis for Opinion

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

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the modified cash basis of accounting described in Note 2; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 St. George's Society of New York'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 St. George's Society of New York'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.

Report on Summarized Comparative Information

We have previously audited St. George's Society of New York's December 31, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 5, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

November 14, 2022

St. George's Society of New York

Statement of Assets, Liabilities and Net Assets
(Modified Cash Basis)
December 31, 2021
(with comparative amounts at December 31, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 595,085	\$ 938,421
Investments, at fair value	14,367,910	12,706,399
Property	1,525,001	1,292,123
Deposits and other assets	<u>43,000</u>	<u>30,529</u>
	<u>\$ 16,530,996</u>	<u>\$ 14,967,472</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 1,024	\$ 777
Line of credit	<u>1,017,129</u>	<u>1,261,260</u>
Total Liabilities	<u>1,018,153</u>	<u>1,262,037</u>
Net Assets		
Without Donor Restrictions		
General fund	1,600,890	1,059,086
Capital funds	<u>12,745,453</u>	<u>11,678,233</u>
Total Without Donor Restrictions	<u>14,346,343</u>	<u>12,737,319</u>
With Donor Restrictions		
Scholarship fund	1,155,084	957,624
Weatherstone families support fund	<u>11,416</u>	<u>10,492</u>
Total With Donor Restrictions	<u>1,166,500</u>	<u>968,116</u>
Total Net Assets	<u>15,512,843</u>	<u>13,705,435</u>
	<u>\$ 16,530,996</u>	<u>\$ 14,967,472</u>

See notes to financial statements

St. George's Society of New York

Statement of Revenue, Expenses and Change in Net Assets
(Modified Cash Basis)
Year Ended December 31, 2021
(with summarized totals for the year ended December 31, 2020)

	2021		2020	
	Without Donor Restriction	With Donor Restriction	Total	Total
OPERATING SUPPORT AND REVENUE				
Membership dues	\$ 67,385	\$ -	\$ 67,385	\$ 58,572
Contributions, grants and appeals	144,658	323,860	468,518	460,718
Paycheck Protection Program revenue	88,780	-	88,780	87,900
Fundraising and special events	556,138	-	556,138	582,870
Allocated investment return (spend rate)	589,435	-	589,435	571,868
Other income	195,073	-	195,073	4,635
Refunds and credits	46,480	-	46,480	-
Net assets released from restrictions	125,476	(125,476)	-	-
Total Operating Support and Revenue	<u>1,813,425</u>	<u>198,384</u>	<u>2,011,809</u>	<u>1,766,563</u>
OPERATING EXPENSES				
Program services	986,141	-	986,141	969,661
Supporting Services				
Management and general	161,874	-	161,874	134,961
Fundraising	240,320	-	240,320	354,979
Total Supporting Services	<u>402,194</u>	<u>-</u>	<u>402,194</u>	<u>489,940</u>
Total Operating Expenses	<u>1,388,335</u>	<u>-</u>	<u>1,388,335</u>	<u>1,459,601</u>
Excess of Operating Support and Revenue Over Operating Expenses	<u>425,090</u>	<u>198,384</u>	<u>623,474</u>	<u>306,962</u>
NON-OPERATING INCOME				
Bequests	250,000	-	250,000	-
Investment return, net of allocation to operations	933,934	-	933,934	901,193
Total Non-Operating Income	<u>1,183,934</u>	<u>-</u>	<u>1,183,934</u>	<u>901,193</u>
Change in Net Assets	<u>1,609,024</u>	<u>198,384</u>	<u>1,807,408</u>	<u>1,208,155</u>
NET ASSETS				
Beginning of year	<u>12,737,319</u>	<u>968,116</u>	<u>13,705,435</u>	<u>12,497,280</u>
End of year	<u>\$14,346,343</u>	<u>\$1,166,500</u>	<u>\$15,512,843</u>	<u>\$13,705,435</u>

See notes to financial statements

St. George's Society of New York

Statement of Functional Expenses
(Modified Cash Basis)

Year Ended December 31, 2021

(with summarized totals for the year ended December 31, 2020)

	2021				Total Expenses	2020
	Program Services	Supporting Services Management and General	Fundraising	Total		Total Expenses
Beneficiary grants	\$ 438,476	\$ -	\$ -	\$ -	\$ 438,476	\$ 481,770
Scholarship grants	116,400	-	-	-	116,400	123,500
Families affected by cancer program expenses	9,076	-	-	-	9,076	8,483
Other program expenses	1,477	-	-	-	1,477	-
Salaries and wages	205,080	56,232	69,462	125,694	330,774	363,257
Payroll taxes	15,677	4,298	5,310	9,608	25,285	27,790
Employee benefits	76,838	21,068	26,026	47,094	123,932	98,090
Legal fees	-	2,017	-	2,017	2,017	-
Accounting fees	26,597	26,597	-	26,597	53,194	45,474
Professional Sponsorship Program	-	-	-	-	-	27,200
Interest expense	-	28,518	-	28,518	28,518	1,260
Occupancy	23,057	6,322	7,809	14,131	37,188	116,060
Social worker travel	1,378	-	-	-	1,378	1,264
Printing and publications	-	-	-	-	-	1,179
Bank and credit card fees	1,896	520	642	1,162	3,058	2,078
Development expenses	-	3,918	15,673	19,591	19,591	9,461
Office expenses	19,099	5,237	6,469	11,706	30,805	37,228
Other expenses	26,065	7,147	8,828	15,975	42,040	32,856
Direct fundraising and special events expenses	25,025	-	100,101	100,101	125,126	82,651
	<u>\$ 986,141</u>	<u>\$ 161,874</u>	<u>\$ 240,320</u>	<u>\$ 402,194</u>	<u>\$ 1,388,335</u>	<u>\$ 1,459,601</u>

See notes to financial statements

St. George's Society of New York

Notes to Financial Statements
(Modified Cash Basis)
December 31, 2021

1. Organization and Tax Status

St. George's Society of New York (the "Society") is a non-profit organization founded in 1770 and dedicated to helping men and women from the United Kingdom and the British Commonwealth who find themselves in need, trouble, sickness or other adversity in the New York metropolitan area. The Society operates a beneficiary program for elderly or disabled people and a scholarship program for fourth-year students at Lehman College and Hunter College of City University of New York.

The Society has qualified as a charitable organization which is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code of 1986 (the "Code") as amended. It is an exempt operating foundation as defined in Sections 509(a) and 4940(d)(2) of the Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared on the modified cash basis of accounting. Under the modified cash basis of accounting, revenue is recognized when collected rather than when earned, and expenses are recognized when paid rather than when incurred. Investments are stated at fair value, with unrealized appreciation (depreciation) reported as a component of the change in net assets, which is a modification of this policy. Expenditures for capital assets are not expensed but are capitalized and depreciated over their useful lives, security deposits are recorded when paid as other assets, and lines of credit payables are shown as liabilities on the statement of assets, liabilities and net assets. The modified cash basis of accounting is a basis of accounting other than accounting principles generally accepted in the United States of America ("U.S. GAAP"). Deferred excise tax on net appreciation on investments is not recognized.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

St. George's Society of New York

Notes to Financial Statements
(Modified Cash Basis)
December 31, 2021

2. Summary of Significant Accounting Policies *(continued)*

Net Asset Presentation

Net assets, revenues, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Society. These net assets may be used at the discretion of the Society's management and the board of directors.

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

Operating Measure

The Society includes in its operating measure revenues, support and expenses for activities associated with its mission. Investment return in excess of the Society's spend rate and contributions for non-program activities are classified as non-operating.

Cash and Cash Equivalents

Cash and cash equivalents consist of checking and money market accounts, and short-term investments managed by the Society's investment manager as part of their long-term investment strategies with maturities of three months or less at the time of purchase.

Investment Valuation, Investment Income Recognition and Investment Expense

Investments are carried at fair value. Purchases and sales of securities are recorded on a settlement-date basis. Interest income and dividends are recorded when received. Realized and unrealized gains and losses are included in the determination of the change in net assets. Investment expense consists of fees paid directly to the Society's investment advisors.

Property

Purchases of property with a cost of \$5,000 or more and useful lives of more than one year are stated at cost and depreciated using the straight-line method over their estimated useful lives.

St. George's Society of New York

Notes to Financial Statements
(Modified Cash Basis)
December 31, 2021

2. Summary of Significant Accounting Policies (continued)

Fair Value Measurements

The Society follows U.S. GAAP guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist.

Contributions

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of revenue, expenses and change in net assets as net assets released from restrictions. Marketable securities contributed are recorded at the fair value at the date of contribution.

Functional Allocation of Expenses

The Society allocates its expenses on a functional basis between its program services, management and general and fundraising. Expenses which can be identified with a specific program or supporting activity are allocated directly to that activity. Other expenses that are common to several functions are allocated among the program services, supporting services and fundraising based on management estimates. The expenses that are allocated include salaries and wages, employee benefits, payroll taxes, occupancy, office expenses, bank and credit card fees and other expenses based on employee time and effort. Accounting fees, printing and publications and development expenses are based on full time equivalent.

St. George's Society of New York

Notes to Financial Statements
(Modified Cash Basis)
December 31, 2021

2. Summary of Significant Accounting Policies *(continued)*

Summarized Financial Information

The accompanying financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with the modified cash basis of accounting. Accordingly, such information should be read in conjunction with the Society's financial statements as of and for the year ended December 31, 2020 from which the summarized information was derived.

Accounting for Uncertainty in Income Taxes

The Society recognizes the effect of income tax positions only if those positions are more likely than not to not be sustained. Management has determined that the Society had no uncertain tax positions that would require financial statement recognition or disclosure. The Society is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to 2018.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 14, 2022.

3. Concentration of Credit Risk

The Society places its cash, cash equivalents and investments in highly rated financial institutions. At times these balances exceed amounts insured by the Federal Deposit Insurance Corporation or Securities Investor Protection Corporation. Investments are diversified so no single investment or group of investments represents a significant concentration.

St. George's Society of New York

Notes to Financial Statements
(Modified Cash Basis)
December 31, 2021

4. Availability and Liquidity

The following represents the Society's financial assets and resources available as of December 31, 2021 and 2020, to meet cash needs for general expenditures within one year of the date of the statement of assets, liabilities and net assets:

	<u>2021</u>	<u>2020</u>
Financial Assets		
Cash and cash equivalents	\$ 595,085	\$ 938,421
Investments	<u>14,367,910</u>	<u>12,706,399</u>
Total Financial Assets	<u>14,962,995</u>	<u>13,644,820</u>
Less Amounts Not Available to be Used Within One Year		
Board designated - Capital funds	12,745,453	11,678,233
Net assets with donor restrictions	1,166,500	968,116
Allocated investment return (spend rate) for next year	<u>(652,887)</u>	<u>(589,435)</u>
	<u>13,259,066</u>	<u>12,056,914</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,703,929</u>	<u>\$ 1,587,906</u>

The Society maintains a policy of structuring its financial assets to be available as its general expenditures, liabilities and other obligations come due. As part of the Society's liquidity management strategy, the Society seeks to maintain adequate liquidity to meet its obligations, including planned expenditures as approved by the Board. The Society structures its financial assets to be available as its grant payments and other general liabilities come due. The Society will inform their investment advisor of any anticipated need for liquidity as such need becomes known, and the investment advisor will then withdraw the funds needed from the investment portfolio.

St. George's Society of New York

Notes to Financial Statements
(Modified Cash Basis)
December 31, 2021

5. Investments and Investment Return

The following are the major categories of investments at December 31 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis:

	2021		
	Level 1	Level 2	Total
Equities	\$ 6,231,178	\$ -	\$ 6,231,178
Mutual funds	3,923,065	-	3,923,065
U.S. Government obligations	-	2,297,424	2,297,424
Municipal obligations	-	29,946	29,946
Corporate obligations	-	1,886,297	1,886,297
Total Investments at Fair Value	<u>\$ 10,154,243</u>	<u>\$ 4,213,667</u>	<u>\$ 14,367,910</u>
	2020		
	Level 1	Level 2	Total
Equities	\$ 5,749,496	\$ -	\$ 5,749,496
Mutual funds	2,713,101	-	2,713,101
U.S. Government obligations	-	2,710,004	2,710,004
Municipal obligations	-	20,680	20,680
Corporate obligations	-	1,513,118	1,513,118
Total Investments at Fair Value	<u>\$ 8,462,597</u>	<u>\$ 4,243,802</u>	<u>\$ 12,706,399</u>

There were no transfers between levels of the fair value hierarchy during 2021 and 2020.

Investment return consists of the following for the years ended December 31:

	2021	2020
Unrealized appreciation of investments	\$ 413,274	\$ 993,416
Net realized gain on sale of investments	961,759	303,589
Interest and dividend income	261,655	271,167
Investment expenses	(113,319)	(95,111)
Total Investments Return	<u>\$ 1,523,369</u>	<u>\$ 1,473,061</u>

St. George's Society of New York

Notes to Financial Statements
(Modified Cash Basis)
December 31, 2021

5. Investments and Investment Return *(continued)*

The Society allocates its investment income to operations pursuant to a spending rate policy based on budgeted requirements of 5% of the rolling three-year fair value average of its investments. For the years ended December 31, 2021 and 2020, such amounts were \$589,435 and \$571,868.

6. Property

As of December 31, 2021 and 2020, property consisted of the purchase and improvement of office space of \$1,525,001 and \$1,292,123. The office space was not placed into service as of December 31, 2021 and therefore no depreciation has been recorded against the assets to date.

7. Line of Credit

In October 2020, the Society established a line of credit in the amount of \$1,500,000 with the intended purpose of purchasing office space. The line of credit has a floating rate of interest which may be changed without prior notice to the Society and is collateralized by the Society's investments. At December 31, 2021, the interest rate charged on the line of credit was approximately 2%. For the year ended December 31, 2021 and 2020, interest expense associated with the line of credit was \$28,518 and \$1,260.

8. Net Assets Without Donor Restrictions – Capital Funds

The Society invests its board designated funds in a pooled portfolio, collectively called the Capital Funds, consisting of the Permanent Fund, Dennis Weatherstone Fund, Consul General's Fund, Veterans and Logan's Fund, British Luncheon Club Fund and the Seymour Bell Memorial Fund. The activity of the Capital Funds is as follows:

	2021	2020
Balance at January 1	\$ 11,678,233	\$ 10,530,172
Unrealized appreciation of investments	413,274	993,416
Net realized gain on sale of investments	961,759	303,589
Interest and dividends	261,655	271,167
Investment expense	(113,319)	(95,111)
Appropriations	(456,149)	(325,000)
Balance at December 31	<u>\$ 12,745,453</u>	<u>\$ 11,678,233</u>

St. George's Society of New York

Notes to Financial Statements
(Modified Cash Basis)
December 31, 2021

9. Net Assets With Donor Restriction

Net assets with donor restrictions at December 31 are available for the following purposes:

	<u>2021</u>	<u>2020</u>
Scholarships	\$ 1,155,084	\$ 957,624
Support for families affected by cancer	11,416	10,492
	<u>\$ 1,166,500</u>	<u>\$ 968,116</u>

Amounts released from restrictions for scholarships during the years ended December 31, 2021 and 2020 were \$116,400 and \$123,500. Amounts released from restrictions for support for families affected by cancer for the years ended December 31, 2021 and 2020 was \$9,076 and \$8,483.

10. Paycheck Protection Program Revenue

During the years ended December 31, 2021 and 2020, the Society received loan proceeds in the amount of \$88,780 and \$87,900 under the Paycheck Protection Program ("PPP Loan"). The PPP Loan, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest is forgivable after eight or twenty four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the covered period.

The Society has elected to report the PPP loans proceeds as a conditional grant under requirements contained in ASU 2018-08, "Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made." Accordingly, the Society has used all proceeds received in accordance with the regulations established by the PPP. On April 20, 2021, the Small Business Administration notified the Society that its application of forgiveness of the \$87,900 PPP Loan had been accepted and no repayment of interest or principal would be required. Consequently, the entire loan amount of \$87,900 has been accounted for as a grant and reported as Paycheck Protection Program revenue in the accompanying 2020 statement of revenue, expenses and change in net assets. In addition, on February 16, 2022 the Small Business Administration notified the Society that its application of forgiveness of the \$88,780 PPP Loan had been accepted and no repayment of interest or principal would be required. Consequently, the entire loan amount of \$88,780 has been accounted for as a grant and reported as Paycheck Protection Program revenue in the accompanying 2021 statement of revenue, expenses and change in net assets.

St. George's Society of New York

Notes to Financial Statements
(Modified Cash Basis)
December 31, 2021

11. Retirement Plan Commitments

The Society provides retirement benefits to its full-time employees through defined contribution plans in accordance with Sections 401(k) and 403(b) of the Code. Pursuant to these plans, the Society contributes an amount equal to 33% of any voluntary contributions made by an employee to the plans subject to certain limitations. The Society's contributions for the years ended December 31, 2021 and 2020 were \$15,638 and \$20,753.

12. Leasehold Commitment

On August 31, 2019, the Society's lease for office space located in New York, New York expired. The Society has since leased the office space on a month-by-month basis and in December 2020 purchased an office space in New York, New York. In 2021 and 2020, rent expense amounted to \$15,556 and \$97,067.

13. Subsequent Market Conditions

There has been substantial volatility in the global financial markets in the months following December 31, 2021. Because of changing market conditions, the amount of losses, if any, cannot be determined.

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