

St. George's Society of New York

Financial Statements

December 31, 2022

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of the St. George's Society of New York which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, functional expenses and cash flows 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 financial position of the St. George's Society of New York, as of December 31, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 the 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.

Change in Accounting Policy

As disclosed in Note 2 to the financial statements, in 2022, the St. George's Society of New York changed its basis of accounting from the modified cash basis of accounting to accounting principles generally accepted in the United States of America and restated net assets as of January 1, 2022. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (*continued*)

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 the St. George's Society of New York's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 the 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 the 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.

PKF O'Connor Davies, LLP

November 15, 2023

St. George's Society of New York

Statement of Financial Position December 31, 2022

ASSETS

Cash and cash equivalents	\$ 301,294
Investments	11,678,517
Accrued investment income	20,490
Contributions receivable	36,815
Other receivables	9,633
Prepaid expenses	7,397
Property and equipment, net	1,539,934
Other assets	<u>43,000</u>
	<u>\$13,637,080</u>

LIABILITIES AND NET ASSETS

Liabilities

Accounts payable and accrued expenses	\$ 45,617
Line of credit	<u>1,127,307</u>
Total Liabilities	<u>1,172,924</u>

Net Assets

Without Donor Restrictions

General fund	1,135,570
Capital funds	<u>10,017,334</u>
Total Without Donor Restrictions	<u>11,152,904</u>

With Donor Restrictions

Scholarship fund	1,261,146
Weatherstone families support fund	13,291
Due to time	<u>36,815</u>
Total With Donor Restrictions	<u>1,311,252</u>
Total Net Assets	<u>12,464,156</u>

\$13,637,080

See notes to financial statements

St. George's Society of New York

Statement of Activities Year Ended December 31, 2022

	Without Donor Restrictions			With Donor Restrictions				Total
	General Fund	Capital Funds	Total	Scholarship Fund	Weatherstone Families Support Fund		Total	
OPERATING SUPPORT AND REVENUE								
Membership dues	\$ 62,855	\$ -	\$ 62,855	\$ -	\$ -	\$ -	\$ -	\$ 62,855
Contributions, grants and appeals	107,105	-	107,105	62,166	4,556	1,050	67,772	174,877
Fundraising and special events	280,326	-	280,326	-	-	-	-	280,326
Investment return appropriated from quasi-endowment	652,887	-	652,887	-	-	-	-	652,887
Other income	6,748	-	6,748	-	-	-	-	6,748
Net assets released from restrictions	158,785	-	158,785	(156,104)	(2,681)	-	(158,785)	-
Appropriations	<u>710,000</u>	<u>(710,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Support and Revenue	<u>1,978,706</u>	<u>(710,000)</u>	<u>1,268,706</u>	<u>(93,938)</u>	<u>1,875</u>	<u>1,050</u>	<u>(91,013)</u>	<u>1,177,693</u>
OPERATING EXPENSES								
Program services	1,080,664	-	1,080,664	-	-	-	-	1,080,664
Operations and governance	200,196	-	200,196	-	-	-	-	200,196
Fundraising	<u>458,596</u>	<u>-</u>	<u>458,596</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>458,596</u>
Total Operating Expenses	<u>1,739,456</u>	<u>-</u>	<u>1,739,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,739,456</u>
Excess (Deficit) of Operating Support and Revenue Over Operating Expenses	239,250	(710,000)	(470,750)	(93,938)	1,875	1,050	(91,013)	(561,763)
NON-OPERATING INCOME (LOSS)								
Investment return, net of appropriations from quasi-endowment to operations	<u>(652,887)</u>	<u>(2,018,119)</u>	<u>(2,671,006)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,671,006)</u>
Change in Net Assets	(413,637)	(2,728,119)	(3,141,756)	(93,938)	1,875	1,050	(91,013)	(3,232,769)
NET ASSETS								
Beginning of year	<u>1,549,207</u>	<u>12,745,453</u>	<u>14,294,660</u>	<u>1,355,084</u>	<u>11,416</u>	<u>35,765</u>	<u>1,402,265</u>	<u>15,696,925</u>
End of year	<u>\$ 1,135,570</u>	<u>\$ 10,017,334</u>	<u>\$ 11,152,904</u>	<u>\$ 1,261,146</u>	<u>\$ 13,291</u>	<u>\$ 36,815</u>	<u>\$ 1,311,252</u>	<u>\$ 12,464,156</u>

See notes to financial statements

St. George's Society of New York

Statement of Functional Expenses
Year Ended December 31, 2022

	Program Services	Operations and Governance	Fundraising	Total Expenses
Beneficiary grants	\$ 465,205	\$ -	\$ -	\$ 465,205
Scholarship grants	153,676	-	-	153,676
Families affected by cancer program expenses	2,681	-	-	2,681
Other program expenses	2,428	-	-	2,428
Payroll and related costs	349,376	95,797	118,336	563,510
Legal fees	-	5,581	-	5,581
Accounting fees	27,391	27,391	-	54,781
Professional sponsorship program	-	1,781	-	1,781
Other professional fees	-	3,462	-	3,462
Interest expense	-	41,314	-	41,314
Occupancy	13,445	3,687	4,554	21,686
Depreciation expense	16,605	4,553	5,624	26,782
Social worker travel	2,109	-	-	2,109
Bank and credit card fees	1,262	346	427	2,035
Development expenses	-	3,537	14,149	17,686
Office expenses	10,389	2,849	3,519	16,757
Other expenses	36,097	9,898	12,227	58,222
Direct fundraising and special events expenses	-	-	299,760	299,760
	<u>\$ 1,080,664</u>	<u>\$ 200,196</u>	<u>\$ 458,596</u>	<u>\$ 1,739,456</u>

See notes to financial statements

St. George's Society of New York

Statement of Cash Flows For the Year Ended December 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ (3,232,769)
Adjustments to reconcile change in net assets to net cash from operating activities	
Net realized loss on sales of investments	42,070
Unrealized depreciation of investments	2,126,110
Depreciation expense	26,782
Accrued investment income	(6,440)
Accrued interest expense	39,378
Change in operating assets	
Contributions receivable	198,950
Other receivables	(6)
Prepaid expenses	(4,779)
Accounts payable and accrued expenses	<u>(33,385)</u>
Net Cash from Operating Activities	<u>(844,089)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sales of investments	10,424,147
Purchases of investments	(9,902,934)
Purchases of property and equipment	<u>(41,715)</u>
Net Cash from Investing Activities	<u>479,498</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Advance on line of credit	90,000
Repayments of line of credit principal	<u>(19,200)</u>
Net Cash from Financing Activities	<u>70,800</u>
 Net Change in Cash and Cash Equivalents	 (293,791)

CASH AND CASH EQUIVLENTS

Beginning of year	<u>595,085</u>
 End of year	 <u>\$ 301,294</u>

See notes to financial statements

St. George's Society of New York

Notes to Financial Statements
December 31, 2022

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, a scholarship program for college students in their final year of undergraduate studies and a program that aids British families affected by pediatric cancer traveling to New York City for treatment.

The Society qualifies as a tax-exempt charitable organization under Section 501(c)(3) of the U.S. Internal Revenue Code (the "Code") and has been further classified as a "private exempt operating foundation" as defined in Sections 509(a) and 4940(d)(2) of the Code and, accordingly, is not subject to federal income taxes except on its unrelated business income. As a private exempt operating foundation, the Society is not subject to the federal excise tax on its net realized investment income, as defined in the Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which 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 revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

In 2022, the Society elected to change its basis of accounting from the modified cash basis of accounting to US GAAP. Net assets as of January 1, 2022 have been restated as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
January 1, 2022	\$ 14,346,343	\$ 1,166,500	\$ 15,512,843
Accrued investment income	14,050	-	14,050
Contributions receivable	-	235,765	235,765
Other receivables	9,627	-	9,627
Prepaid expenses	2,618	-	2,618
Accounts payable and accrued expenses	(77,978)	-	(77,978)
January 1, 2022, as restated	<u>\$ 14,294,660</u>	<u>\$ 1,402,265</u>	<u>\$ 15,696,925</u>

St. George's Society of New York

Notes to Financial Statements
December 31, 2022

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

Recent Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2016-02, Leases (Topic 842), which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset. The Society adopted the requirements of the new standard effective January 1, 2022, and the adoption of this standard had no impact on the financial statements.

As of January 1, 2022, the Society adopted the provisions of FASB ASU 2020-07, Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets (Topic 958). ASU 2020-07 brings more transparency and consistency to the presentation and disclosure of gifts in-kind. The standard does not change the accounting for gifts in-kind, however, provides matters related to presentation and disclosure.

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.

Earnings related to restricted net assets will be included in net assets without donor restrictions unless otherwise specifically required to be included in donor restricted net assets by the donor or by applicable state law.

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.

St. George's Society of New York

Notes to Financial Statements
December 31, 2022

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

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.

Fair Value Measurement

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.

Investment Valuation, Investment Income Recognition and Investment Expenses

Investments are carried at fair value. Purchases and sales of securities are recorded on a trade-date basis. Interest and dividend income are recorded on the accrual basis. Realized gains and losses and unrealized appreciation and depreciation are included in the determination of the change in net assets. Direct investment expenses consist of fees paid directly to the Society's investment managers and advisors and foreign taxes withheld.

Contributions Receivable

Contributions, including unconditional promises to give, are reported as revenues in the period received. All contributions receivables are expected to be received within one year from the statement of financial position date.

Property and Equipment

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 the estimated useful lives of such assets as follows:

Office unit and office improvements	39 years
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When property and equipment is sold, retired or disposed of, their cost and related accumulated depreciation is removed from the Society's accounts and any gain or loss is reported in the statement of activities.

St. George's Society of New York

Notes to Financial Statements
December 31, 2022

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

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 activities 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, operations and governance 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 payroll and related costs, occupancy, depreciation, bank and credit card fees, office expenses and other expenses based on employee time and effort. Accounting fees and development expenses are based on full-time equivalent.

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 2019.

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 15, 2023.

St. George's Society of New York

Notes to Financial Statements
December 31, 2022

3. Concentration of Credit Risk

Financial instruments that potentially subject the Society to concentrations of credit and market risk consist principally of cash, cash equivalents and investments held at financial institutions. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 for cash holdings). In addition, certain financial institutions have purchased supplemental insurance. At times cash balances may exceed the FDIC, the SIPC, and supplemental insurance limits.

The Society invests in equities, mutuals funds, U.S. government obligations, municipal obligations and corporate obligations that the Society's management believes are financially strong. The Society routinely assesses the financial strength of its cash, cash equivalents and investment portfolio. As a consequence, management believes that the concentration of credit risk is limited.

4. Availability and Liquidity

The following represents the Society's financial assets and resources available as of December 31, 2022, to meet cash needs for general expenditures within one year of the date of the statement of financial position:

Financial Assets	
Cash and cash equivalents	\$ 301,294
Investments	11,678,517
Accrued investment income	20,490
Contributions receivable	36,815
Other receivables	9,633
Total Financial Assets	<u>12,046,749</u>
Less Amounts Not Available to be Used Within One Year	
Board designated - Capital funds	10,017,334
Net assets with donor restrictions	1,311,252
Allocated investment return (spend rate) for next year	<u>(645,880)</u>
	<u>10,682,706</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 1,364,043</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 of Directors.

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
December 31, 2022

5. Investments and Investment Return

The following are the major categories of investments at December 31, 2022 grouped by the fair value hierarchy for those investments measured at fair value on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Equities	\$ 5,142,521	\$ -	\$ 5,142,521
Mutual funds	3,041,988	-	3,041,988
U.S. Government obligations	-	1,913,432	1,913,432
Municipal obligations	-	26,143	26,143
Corporate obligations	-	1,554,433	1,554,433
Total Investments at Fair Value	<u>\$ 8,184,509</u>	<u>\$ 3,494,008</u>	<u>\$ 11,678,517</u>

Investment return consists of the following for the year ended December 31, 2022:

Dividend and interest income	\$ 255,743
Net realized loss on sales of investments	(42,070)
Unrealized depreciation of investments	(2,126,110)
Direct investment expenses	(105,682)
Investments Return	<u>\$ (2,018,119)</u>

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 year ended December 31, 2022, such amount was \$652,887.

6. Property and Equipment

As of December 31, 2022, property and equipment consisted of the following:

Office unit	\$ 1,292,123
Office improvements	274,593
	<u>1,566,716</u>
Accumulated depreciation	(26,782)
	<u>\$ 1,539,934</u>

Depreciation expense for the year ended December 31, 2022 was \$26,782.

St. George's Society of New York

Notes to Financial Statements
December 31, 2022

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, 2022, the interest rate charged on the line of credit was 6.5%. Interest expense associated with the line of credit for the year ended December 31, 2022 was \$41,314.

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 for the year ended December 31, 2022 was as follows:

Balance at January 1	\$ 12,745,453
Interest and dividends	255,743
Net realized loss on sales of investments	(42,070)
Unrealized depreciation of investments	(2,126,110)
Investment expense	(105,682)
Appropriations	(710,000)
Balance at December 31	<u>\$ 10,017,334</u>

9. Net Assets With Donor Restriction

Net assets with donor restrictions at December 31, 2022 are available for the following purposes:

Scholarships	\$ 1,261,146
Support for families affected by cancer	13,291
	<u>\$ 1,274,437</u>

Amounts released from net assets with donor restrictions during the year ended December 31, 2022 were as follows:

Scholarships	\$ 156,104
Support for families affected by cancer	2,681
	<u>\$ 158,785</u>

St. George's Society of New York

Notes to Financial Statements
December 31, 2022

10. 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 year ended December 31, 2022 was \$24,423.

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