



**THE OSBORNE ASSOCIATION, INC.  
AND AFFILIATES**

**CONSOLIDATED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
(Together with Independent Auditors' Report)**

**YEARS ENDED JUNE 30, 2021 AND 2020**

**M A R K S P A N E T H**

ACCOUNTANTS & ADVISORS

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**

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SUPPLEMENTARY INFORMATION  
(Together with Independent Auditors' Report)**

**YEARS ENDED JUNE 30, 2021 AND 2020**

**CONTENTS**

|   | <b><u>Page</u></b> |
|---|--------------------|
| Independent Auditors' Report .....                    | 1-2                |
| <b>Financial Statements:</b>                          |                    |
| Consolidated Statements of Financial Position .....   | 3                  |
| Consolidated Statements of Activities .....           | 4                  |
| Consolidated Statements of Functional Expenses .....  | 5-6                |
| Consolidated Statements of Cash Flows .....           | 7                  |
| Notes to Consolidated Financial Statements .....      | 8-22               |
| <b>Supplementary Information:</b>                     |                    |
| Consolidating Statement of Financial Position .....   | 23                 |
| Consolidating Statement of Activities .....           | 24                 |
| Consolidating Statements of Functional Expenses ..... | 25-28              |

## INDEPENDENT AUDITORS' REPORT

The Board of Directors  
The Osborne Association, Inc. and Affiliates

We have audited the accompanying consolidated financial statements of The Osborne Association, Inc. and Affiliates (collectively, the "Association"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Osborne Association, Inc. and Affiliates as of June 30, 2021 and 2020, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Report on Consolidating Information***

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements of the Association as a whole. The consolidating information (shown on pages 23-28) is presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position and changes in net assets of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Marks Paneth LLP*

New York, NY  
February 22, 2022

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2021 AND 2020**

|   | <u>2021</u>          | <u>2020</u>          |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| Cash (Notes 2E, 3 and 16)                                     | \$ 2,229,614         | \$ 2,487,092         |
| Restricted cash (Notes 2E, 15 and 16)                         | 9,636,141            | -                    |
| Government grants and other receivables, net (Notes 2D and 3) | 17,410,423           | 18,201,232           |
| Contributions receivable, net (Notes 2C, 2D, 3 and 5)         | 982,449              | 717,723              |
| Investments (Notes 2F and 6)                                  | 1,145,775            | 792,232              |
| Prepaid expenses and other assets                             | 442,153              | 283,073              |
| Advances paid to subcontractors                               | 1,034,080            | 666,528              |
| Property and equipment, net (Notes 2G and 4)                  | 18,667,951           | 11,053,073           |
| Security deposits   | 170,509              | 169,946              |
| Beneficial interest in perpetual trust (Notes 3, 6, 7 and 13) | 283,427              | 225,470              |
| <b>TOTAL ASSETS</b>   | <u>\$ 52,002,522</u> | <u>\$ 34,596,369</u> |
| <b>LIABILITIES</b>  |                      |                      |
| Accounts payable and accrued expenses                         | \$ 5,121,256         | \$ 5,530,508         |
| Accrued salary and vacation                                   | 708,187              | 593,937              |
| Deferred rent (Note 2J)                                       | 487,529              | 66,601               |
| Deferred revenue/refundable advances (Notes 2H and 8)         | 194,044              | 231,021              |
| Notes and loans payable (Note 9)                              | 6,636,297            | 9,768,715            |
| Construction loans payable (Note 9)                           | 14,941,000           | -                    |
| Mortgage payable (Note 10)                                    | 2,735,211            | 2,922,665            |
| <b>TOTAL LIABILITIES</b>                                      | <u>30,823,524</u>    | <u>19,113,447</u>    |
| <b>COMMITMENTS AND CONTINGENCIES</b> (Note 11)                |                      |                      |
| <b>NET ASSETS</b> (Note 2B)                                   |                      |                      |
| Without donor restrictions                                    |                      |                      |
| Board Designated - Reserve Fund (Notes 3 and 14)              | 1,100,000            | -                    |
| Board Designated - Fulton Reserve (Note 14)                   | 890,873              | -                    |
| Available for operations                                      | 7,078,719            | 6,594,603            |
| Total net assets without donor restrictions                   | 9,069,592            | 6,594,603            |
| With donor restrictions (Notes 3, 7 and 13)                   | 12,109,406           | 8,888,319            |
| <b>TOTAL NET ASSETS</b>                                       | <u>21,178,998</u>    | <u>15,482,922</u>    |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>                       | <u>\$ 52,002,522</u> | <u>\$ 34,596,369</u> |

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

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

|  | For the Year Ended June 30, 2021 |                     |                            |                      | For the Year Ended June 30, 2020 |                            |                      |
|--|----------------------------------|---------------------|----------------------------|----------------------|----------------------------------|----------------------------|----------------------|
|  | Without Donor Restrictions       |                     |                            |                      |                                  |                            |                      |
|  | Available for<br>Operations      | Board Designated    | With Donor<br>Restrictions | Total<br>2021        | Without Donor<br>Restrictions    | With Donor<br>Restrictions | Total<br>2020        |
| <b>OPERATING SUPPORT AND REVENUE:</b>                          |                                  |                     |                            |                      |                                  |                            |                      |
| <b>Public Support:</b>   |                                  |                     |                            |                      |                                  |                            |                      |
| Contributions and grants (Note 2C)                             | \$ 951,588                       | \$ -                | \$ 3,209,216               | \$ 4,160,804         | \$ 795,623                       | \$ 1,739,469               | \$ 2,535,092         |
| Donated services (Note 2K)                                     | 45,000                           | -                   | -                          | 45,000               | -                                | -                          | -                    |
| Net assets released from restrictions (Notes 2B and 13)        | 1,564,243                        | -                   | (1,564,243)                | -                    | 933,659                          | (933,659)                  | -                    |
| <b>Total Public Support</b>                                    | <u>2,560,831</u>                 | <u>-</u>            | <u>1,644,973</u>           | <u>4,205,804</u>     | <u>1,729,282</u>                 | <u>805,810</u>             | <u>2,535,092</u>     |
| <b>Fee for Service:</b>  |                                  |                     |                            |                      |                                  |                            |                      |
| Medicaid   | 1,302,752                        | -                   | -                          | 1,302,752            | 1,047,990                        | -                          | 1,047,990            |
| Janitorial   | 8,293,947                        | -                   | -                          | 8,293,947            | 5,915,335                        | -                          | 5,915,335            |
| Catering   | 3,652                            | -                   | -                          | 3,652                | 146,793                          | -                          | 146,793              |
| <b>Total Fee for Service (Note 2H)</b>                         | <u>9,600,351</u>                 | <u>-</u>            | <u>-</u>                   | <u>9,600,351</u>     | <u>7,110,118</u>                 | <u>-</u>                   | <u>7,110,118</u>     |
| <b>Governmental Support:</b>                                   |                                  |                     |                            |                      |                                  |                            |                      |
| New York State   | 3,050,716                        | -                   | 1,518,157                  | 4,568,873            | 3,400,365                        | -                          | 3,400,365            |
| New York City  | 16,779,051                       | -                   | -                          | 16,779,051           | 14,901,428                       | -                          | 14,901,428           |
| Federal-direct and indirect                                    | 2,533,592                        | -                   | -                          | 2,533,592            | 2,766,008                        | -                          | 2,766,008            |
| <b>Total Governmental Support (Note 2H)</b>                    | <u>22,363,359</u>                | <u>-</u>            | <u>1,518,157</u>           | <u>23,881,516</u>    | <u>21,067,801</u>                | <u>-</u>                   | <u>21,067,801</u>    |
| Transfer to Board Designated - Reserve Fund (Note 14)          | (1,100,000)                      | 1,100,000           | -                          | -                    | -                                | -                          | -                    |
| <b>TOTAL OPERATING SUPPORT AND REVENUE</b>                     | <u>33,424,541</u>                | <u>1,100,000</u>    | <u>3,163,130</u>           | <u>37,687,671</u>    | <u>29,907,201</u>                | <u>805,810</u>             | <u>30,713,011</u>    |
| <b>OPERATING EXPENSES:</b>                                     |                                  |                     |                            |                      |                                  |                            |                      |
| <b>Program Services:</b>                                       |                                  |                     |                            |                      |                                  |                            |                      |
| Adopting healthy lifestyles                                    | 3,897,131                        | -                   | -                          | 3,897,131            | 2,843,673                        | -                          | 2,843,673            |
| Achieving economic independence:                               |                                  |                     |                            |                      |                                  |                            |                      |
| Workforce development  | 2,290,480                        | -                   | -                          | 2,290,480            | 3,113,480                        | -                          | 3,113,480            |
| Janitorial/maintenance services                                | 7,204,980                        | -                   | -                          | 7,204,980            | 5,329,943                        | -                          | 5,329,943            |
| Fresh start catering   | 359,966                          | -                   | -                          | 359,966              | 543,770                          | -                          | 543,770              |
| Reducing reliance on incarceration:                            |                                  |                     |                            |                      |                                  |                            |                      |
| Jail-based services  | 2,806,473                        | -                   | -                          | 2,806,473            | 3,392,962                        | -                          | 3,392,962            |
| Court advocacy services  | 3,689,932                        | -                   | -                          | 3,689,932            | 3,690,594                        | -                          | 3,690,594            |
| Reconnecting families and strengthening communities            | 5,890,816                        | -                   | -                          | 5,890,816            | 5,058,166                        | -                          | 5,058,166            |
| Fulton community reentry center                                | 151,007                          | -                   | -                          | 151,007              | 108,655                          | -                          | 108,655              |
| Osborne Association policy center                              | 210,493                          | -                   | -                          | 210,493              | 409,144                          | -                          | 409,144              |
| <b>Total Program Services Expenses</b>                         | <u>26,501,278</u>                | <u>-</u>            | <u>-</u>                   | <u>26,501,278</u>    | <u>24,490,387</u>                | <u>-</u>                   | <u>24,490,387</u>    |
| <b>Supporting Services:</b>                                    |                                  |                     |                            |                      |                                  |                            |                      |
| Management and administration                                  | 6,066,212                        | -                   | -                          | 6,066,212            | 4,667,214                        | -                          | 4,667,214            |
| Fundraising  | 845,652                          | -                   | -                          | 845,652              | 716,626                          | -                          | 716,626              |
| <b>Total Supporting Services Expenses</b>                      | <u>6,911,864</u>                 | <u>-</u>            | <u>-</u>                   | <u>6,911,864</u>     | <u>5,383,840</u>                 | <u>-</u>                   | <u>5,383,840</u>     |
| <b>TOTAL OPERATING EXPENSES (Note 2I)</b>                      | <u>33,413,142</u>                | <u>-</u>            | <u>-</u>                   | <u>33,413,142</u>    | <u>29,874,227</u>                | <u>-</u>                   | <u>29,874,227</u>    |
| <b>OPERATING INCOME</b>  | <u>11,399</u>                    | <u>1,100,000</u>    | <u>3,163,130</u>           | <u>4,274,529</u>     | <u>32,974</u>                    | <u>805,810</u>             | <u>838,784</u>       |
| <b>NONOPERATING ACTIVITIES:</b>                                |                                  |                     |                            |                      |                                  |                            |                      |
| Interest and dividends   | 5,896                            | -                   | -                          | 5,896                | 3,456                            | -                          | 3,456                |
| Realized loss on investments                                   | -                                | -                   | -                          | -                    | (865)                            | -                          | (865)                |
| Unrealized gain (loss) in market value of investments          | 327,956                          | -                   | -                          | 327,956              | (64,273)                         | -                          | (64,273)             |
| Gain (loss) on beneficial interest in perpetual trust          | -                                | -                   | 57,957                     | 57,957               | -                                | (113)                      | (113)                |
| Miscellaneous income (Note 14)                                 | 890,873                          | -                   | -                          | 890,873              | -                                | -                          | -                    |
| Other income   | 138,865                          | -                   | -                          | 138,865              | 123,884                          | -                          | 123,884              |
| <b>NONOPERATING INCOME (LOSS)</b>                              | <u>1,363,590</u>                 | <u>-</u>            | <u>57,957</u>              | <u>1,421,547</u>     | <u>62,202</u>                    | <u>(113)</u>               | <u>62,089</u>        |
| <b>Transfer to Board Designated - Fulton Reserve (Note 14)</b> | <u>(890,873)</u>                 | <u>890,873</u>      | <u>-</u>                   | <u>-</u>             | <u>-</u>                         | <u>-</u>                   | <u>-</u>             |
| <b>CHANGE IN NET ASSETS</b>                                    | <u>484,116</u>                   | <u>1,990,873</u>    | <u>3,221,087</u>           | <u>5,696,076</u>     | <u>95,176</u>                    | <u>805,697</u>             | <u>900,873</u>       |
| <b>NET ASSETS - BEGINNING OF YEAR</b>                          | <u>6,594,603</u>                 | <u>-</u>            | <u>8,888,319</u>           | <u>15,482,922</u>    | <u>6,499,427</u>                 | <u>8,082,622</u>           | <u>14,582,049</u>    |
| <b>NET ASSETS- END OF YEAR</b>                                 | <u>\$ 7,078,719</u>              | <u>\$ 1,990,873</u> | <u>\$ 12,109,406</u>       | <u>\$ 21,178,998</u> | <u>\$ 6,594,603</u>              | <u>\$ 8,888,319</u>        | <u>\$ 15,482,922</u> |

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

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021  
(With Comparative Totals for June 30, 2020)

| For The Year Ended June 30, 2021               |                                 |                          |  |                            |                                    |                               |   |                                       |   |                              |                                     |             |                                 |              |               |               |  |
|--|---------------------------------|--------------------------|--|----------------------------|------------------------------------|-------------------------------|---|---------------------------------------|---|------------------------------|-------------------------------------|-------------|---------------------------------|--------------|---------------|---------------|--|
|  | Program Services                |                          |  |                            |                                    |                               |   |                                       |   |                              | Supporting Services                 |             |                                 |              |               |               |  |
|  | Achieving Economic Independence |                          |  |                            | Reducing Reliance on Incarceration |                               | Reconnecting Families<br>and Strengthening<br>Communities | Fulton<br>Community<br>Reentry Center | Osborne<br>Association<br>Policy Center | Total<br>Program<br>Services | Management<br>and<br>Administration | Fundraising | Total<br>Supporting<br>Services | Eliminations | Total<br>2021 | Total<br>2020 |  |
|  | Adopting Healthy<br>Lifestyles  | Workforce<br>Development | Janitorial/<br>Maintenance<br>Services | Fresh<br>Start<br>Catering | Jail-Based<br>Services             | Court<br>Advocacy<br>Services |   |                                       |   |                              |                                     |             |                                 |              |               |               |  |
| OPERATING EXPENSES:                            |                                 |                          |  |                            |                                    |                               |   |                                       |   |                              |                                     |             |                                 |              |               |               |  |
| Salaries                                       | \$ 2,182,110                    | \$ 1,069,399             | \$ 5,595,222                           | \$ 253,786                 | \$ 1,713,511                       | \$ 1,171,412                  | \$ 3,223,855  | \$ 115,378                            | \$ 150,902                              | \$ 15,475,575                | \$ 3,200,928                        | \$ 307,609  | \$ 3,508,537                    | \$ -         | \$ 18,984,112 | \$ 16,438,925 |  |
| Payroll taxes and employee benefits (Note 12)  | 687,922                         | 364,658                  | 782,494                                | 63,530                     | 564,771                            | 341,422                       | 928,955   | 28,994                                | 37,139                                  | 3,799,885                    | 746,711                             | 49,428      | 796,139                         | -            | 4,596,024     | 4,534,364     |  |
| Total Salaries and Related Costs               | 2,870,032                       | 1,434,057                | 6,377,716                              | 317,316                    | 2,278,282                          | 1,512,834                     | 4,152,810   | 144,372                               | 188,041                                 | 19,275,460                   | 3,947,639                           | 357,037     | 4,304,676                       | -            | 23,580,136    | 20,973,289    |  |
| Occupancy (Note 11B)                           | 474,171                         | 268,674                  | 17,033                                 | 8,885                      | 242,209                            | 265,383                       | 667,570   | 5,934                                 | 2,931                                   | 1,952,790                    | 419,254                             | 50,726      | 469,980                         | (1,059,569)  | 1,363,201     | 1,217,084     |  |
| Supplies and expensed equipment (Note 2G)      | 95,873                          | 82,593                   | 138,946                                | 3,323                      | 85,052                             | 22,241                        | 173,993   | 14                                    | 7,582                                   | 609,617                      | 486,673                             | 39,102      | 525,775                         | -            | 1,135,392     | 991,200       |  |
| Professional fees                              | 178,783                         | 107,908                  | -                                      | 706                        | -                                  | 10,000                        | 107,145   | -                                     | 4,250                                   | 408,792                      | 266,691                             | 407,682     | 674,373                         | -            | 1,083,165     | 668,540       |  |
| Professional fees - subcontractors             | 452,551                         | 621,104                  | -                                      | -                          | 11,473                             | 1,770,162                     | 325,895   | -                                     | -                                       | 3,181,185                    | -                                   | -           | -                               | -            | 3,181,185     | 3,123,218     |  |
| Value of pro-bono legal services (Note 2K)     | -                               | -                        | -                                      | -                          | -                                  | -                             | -   | -                                     | -                                       | -                            | 45,000                              | -           | 45,000                          | -            | 45,000        | -             |  |
| Direct participant costs                       | 13,643                          | 117,792                  | -                                      | -                          | 28,525                             | -                             | 203,703   | -                                     | 2,825                                   | 366,488                      | 987                                 | 100         | 1,087                           | -            | 367,575       | 602,963       |  |
| Telephone                                      | 41,986                          | 24,996                   | 27,133                                 | 1,261                      | 27,803                             | 11,374                        | 57,757  | 226                                   | 3,954                                   | 196,490                      | 20,056                              | 4,532       | 24,588                          | -            | 221,078       | 223,626       |  |
| Repairs, maintenance and alterations           | 9,310                           | 562                      | 200                                    | 9,148                      | 625                                | 69                            | 58,049  | -                                     | -                                       | 77,963                       | 128,012                             | -           | 128,012                         | -            | 205,975       | 77,977        |  |
| Miscellaneous                                  | 95,364                          | 6,282                    | 372,248                                | 12,904                     | 10,293                             | 6,733                         | 24,822  | 425                                   | 695                                     | 529,766                      | 53,851                              | 28,471      | 82,322                          | -            | 612,088       | 497,968       |  |
| Insurance                                      | 38,417                          | 43,730                   | 255,354                                | 6,067                      | 74,147                             | 40,793                        | 79,876  | -                                     | -                                       | 538,384                      | 86,757                              | -           | 86,757                          | -            | 625,141       | 602,760       |  |
| Training                                       | 13,443                          | 509                      | -                                      | -                          | 9,760                              | 10,070                        | 5,266   | -                                     | 215                                     | 39,263                       | 8,785                               | 858         | 9,643                           | -            | 48,906        | 17,411        |  |
| Travel   | 19,156                          | 663                      | 7,410                                  | 290                        | 2,581                              | 123                           | 12,388  | 36                                    | -                                       | 42,647                       | 12,082                              | -           | 12,082                          | -            | 54,729        | 90,661        |  |
| Auto   | 1,646                           | -                        | 8,541                                  | 66                         | 3,972                              | -                             | 8,343   | -                                     | -                                       | 22,568                       | 1,890                               | -           | 1,890                           | -            | 24,458        | 17,589        |  |
| Direct mail and special events                 | -                               | -                        | -                                      | -                          | -                                  | -                             | -   | -                                     | -                                       | -                            | -                                   | 3,185       | 3,185                           | -            | 3,185         | 4,298         |  |
| Management fees - intercompany                 | -                               | -                        | -                                      | -                          | -                                  | -                             | -   | -                                     | -                                       | -                            | 769,770                             | -           | 769,770                         | (769,770)    | -             | -             |  |
| Security and maintenance - intercompany        | -                               | -                        | -                                      | -                          | -                                  | -                             | -   | -                                     | -                                       | -                            | -                                   | -           | -                               | -            | -             | -             |  |
| Bad debt expense                               | -                               | -                        | -                                      | -                          | -                                  | -                             | -   | -                                     | -                                       | -                            | 290,942                             | -           | 290,942                         | -            | 290,942       | 127,872       |  |
| Interest                                       | 7,578                           | 4,272                    | 9,346                                  | -                          | 31,751                             | 40,150                        | 21,595  | -                                     | -                                       | 114,692                      | 87,397                              | -           | 87,397                          | -            | 202,089       | 312,717       |  |
| Depreciation and amortization                  | -                               | -                        | 12,032                                 | -                          | -                                  | -                             | 8,345   | -                                     | -                                       | 20,377                       | 334,272                             | 14,248      | 348,520                         | -            | 368,897       | 325,054       |  |
| TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS | 4,311,953                       | 2,713,142                | 7,225,959                              | 359,966                    | 2,806,473                          | 3,689,932                     | 5,907,557   | 151,007                               | 210,493                                 | 27,376,482                   | 6,960,058                           | 905,941     | 7,865,999                       | (1,829,339)  | 33,413,142    | 29,874,227    |  |
| ALLOCATION OF ELIMINATIONS                     | (414,822)                       | (422,662)                | (20,979)                               | -                          | -                                  | -                             | (16,741)  | -                                     | -                                       | (875,204)                    | (893,846)                           | (60,289)    | (954,135)                       | 1,829,339    | -             | -             |  |
| TOTAL EXPENSES                                 | \$ 3,897,131                    | \$ 2,290,480             | \$ 7,204,980                           | \$ 359,966                 | \$ 2,806,473                       | \$ 3,689,932                  | \$ 5,890,816  | \$ 151,007                            | \$ 210,493                              | \$ 26,501,278                | \$ 6,066,212                        | \$ 845,652  | \$ 6,911,864                    | \$ -         | \$ 33,413,142 | \$ 29,874,227 |  |

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020

| For The Year Ended June 30, 2020 |                                 |                                 |                      |                                    |                         |   |                                 |                                   |                        |                               |                     |                           |              |               |  |  |
|----------------------------------|---------------------------------|---------------------------------|----------------------|------------------------------------|-------------------------|---|---------------------------------|-----------------------------------|------------------------|-------------------------------|---------------------|---------------------------|--------------|---------------|--|--|
| Program Services                 |                                 |                                 |                      |                                    |                         |   |                                 |                                   |                        |                               | Supporting Services |                           |              |               |  |  |
| Adopting Healthy Lifestyles      | Achieving Economic Independence |                                 |                      | Reducing Reliance on Incarceration |                         | Reconnecting Families and Strengthening Communities | Fulton Community Reentry Center | Osborne Association Policy Center | Total Program Services | Management and Administration |                     | Total Supporting Services | Eliminations | Total 2020    |  |  |
|                                  | Workforce Development           | Janitorial/Maintenance Services | Fresh Start Catering | Jail-Based Services                | Court Advocacy Services |   |                                 |                                   |                        | Fundraising                   |                     |                           |              |               |  |  |
| \$ 1,790,883                     | \$ 1,122,199                    | \$ 3,977,661                    | \$ 331,889           | \$ 1,979,928                       | \$ 1,213,346            | \$ 2,845,713  | \$ 78,958                       | \$ 275,905                        | \$ 13,616,482          | \$ 2,382,815                  | \$ 439,628          | \$ 2,822,443              | \$ -         | \$ 16,438,925 |  |  |
| 629,909                          | 379,257                         | 660,484                         | 78,600               | 620,882                            | 370,193                 | 859,126   | 23,511                          | 66,679                            | 3,688,641              | 712,258                       | 133,465             | 845,723                   | -            | 4,534,364     |  |  |
| 2,420,792                        | 1,501,456                       | 4,638,145                       | 410,489              | 2,600,810                          | 1,583,539               | 3,704,839   | 102,469                         | 342,584                           | 17,305,123             | 3,095,073                     | 573,093             | 3,668,166                 | -            | 20,973,289    |  |  |
| 189,184                          | 190,569                         | 18,042                          | 2,614                | 247,198                            | 177,374                 | 563,138   | 5,148                           | 29,921                            | 1,423,188              | 239,834                       | 28,662              | 268,496                   | (474,600)    | 1,217,084     |  |  |
| 76,078                           | 46,195                          | 149,534                         | 22,789               | 87,033                             | 53,538                  | 176,677   | 251                             | 12,408                            | 624,503                | 323,813                       | 42,884              | 366,697                   | -            | 991,200       |  |  |
| 123,882                          | 149,243                         | 2,350                           | -                    | 5,650                              | 47,784                  | 38,357  | -                               | 11,145                            | 378,411                | 252,676                       | 37,453              | 290,129                   | -            | 668,540       |  |  |
| -                                | 1,043,808                       | -                               | -                    | 293,666                            | 1,684,491               | 101,253   | -                               | -                                 | 3,123,218              | -                             | -                   | -                         | -            | 3,123,218     |  |  |
| 59,158                           | 206,034                         | -                               | 74,671               | 50,288                             | 1,251                   | 207,638   | -                               | 3,067                             | 602,107                | 250                           | 606                 | 856                       | -            | 602,963       |  |  |
| 27,393                           | 37,038                          | 30,388                          | 880                  | 25,721                             | 13,048                  | 49,317  | -                               | 4,023                             | 187,808                | 27,316                        | 8,502               | 35,818                    | -            | 223,626       |  |  |
| -                                | 760                             | 1,095                           | 2,366                | 616                                | 2,087                   | 14,669  | -                               | 40                                | 21,633                 | 56,344                        | -                   | 56,344                    | -            | 77,977        |  |  |
| 37,559                           | 8,108                           | 268,969                         | 13,119               | 12,845                             | 8,142                   | 33,563  | 346                             | 1,726                             | 384,377                | 79,974                        | 33,617              | 113,591                   | -            | 497,968       |  |  |
| 61,426                           | 83,841                          | 174,591                         | 9,281                | 50,307                             | 51,597                  | 93,479  | -                               | -                                 | 524,522                | 78,238                        | -                   | 78,238                    | -            | 602,760       |  |  |
| 3,850                            | 384                             | -                               | -                    | 320                                | 200                     | 4,144   | 40                              | 175                               | 9,113                  | 8,071                         | 227                 | 8,298                     | -            | 17,411        |  |  |
| 11,509                           | 8,097                           | 10,046                          | (20)                 | 7,779                              | 10,462                  | 27,564  | -                               | 3,988                             | 79,425                 | 9,967                         | 1,269               | 11,236                    | -            | 90,661        |  |  |
| 3,042                            | 155                             | 2,273                           | 3,613                | 2,380                              | -                       | 1,123   | -                               | (41)                              | 12,545                 | 5,044                         | -                   | 5,044                     | -            | 17,589        |  |  |
| -                                | -                               | -                               | -                    | -                                  | -                       | -   | -                               | -                                 | -                      | -                             | 4,298               | 4,298                     | -            | 4,298         |  |  |
| -                                | -                               | -                               | -                    | -                                  | -                       | -   | -                               | -                                 | -                      | 771,319                       | -                   | 771,319                   | (771,319)    | -             |  |  |
| 228,480                          | 45,153                          | -                               | 59,007               | 47,960                             | -                       | -   | -                               | -                                 | 380,600                | 42,974                        | 20,628              | 63,602                    | (444,202)    | -             |  |  |
| -                                | -                               | -                               | -                    | -                                  | -                       | -   | -                               | -                                 | -                      | 127,872                       | -                   | 127,872                   | -            | 127,872       |  |  |
| 15,605                           | 27,110                          | 31,875                          | 3,968                | 8,349                              | 57,081                  | 44,347  | 401                             | 108                               | 188,844                | 123,873                       | -                   | 123,873                   | -            | 312,717       |  |  |
| -                                | -                               | 12,032                          | -                    | -                                  | -                       | 5,557   | -                               | -                                 | 17,589                 | 294,445                       | 13,020              | 307,465                   | -            | 325,054       |  |  |
| 3,257,958                        | 3,347,951                       | 5,339,340                       | 602,777              | 3,440,922                          | 3,690,594               | 5,065,665   | 108,655                         | 409,144                           | 25,263,006             | 5,537,083                     | 764,259             | 6,301,342                 | (1,690,121)  | 29,874,227    |  |  |
| (414,285)                        | (234,471)                       | (9,397)                         | (59,007)             | (47,960)                           | -                       | (7,499)   | -                               | -                                 | (772,619)              | (869,869)                     | (47,633)            | (917,502)                 | 1,690,121    | -             |  |  |
| \$ 2,843,673                     | \$ 3,113,480                    | \$ 5,329,943                    | \$ 543,770           | \$ 3,392,962                       | \$ 3,690,594            | \$ 5,058,166  | \$ 108,655                      | \$ 409,144                        | \$ 24,490,387          | \$ 4,667,214                  | \$ 716,626          | \$ 5,383,840              | \$ -         | \$ 29,874,227 |  |  |



**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2021 AND 2020**

|   | <u>2021</u>          | <u>2020</u>         |
|---|----------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                      |                     |
| Change in net assets  | \$ 5,696,076         | \$ 900,873          |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: |                      |                     |
| (Gain)/loss on beneficial interest in perpetual trust   | (57,957)             | 113                 |
| Realized loss on investments  | -                    | 865                 |
| Unrealized (gains) losses on investments  | (327,956)            | 64,273              |
| Donated securities  | (25,587)             | (33,358)            |
| Bad debt  | 290,942              | 127,872             |
| Deferred rent   | 420,928              | (71,798)            |
| Depreciation and amortization   | 368,897              | 325,054             |
| Subtotal  | 6,365,343            | 1,313,894           |
| Changes in operating assets and liabilities:  |                      |                     |
| (Increase) decrease in assets:  |                      |                     |
| Government grants and other receivables   | 790,809              | (7,129,811)         |
| Contributions receivable  | (555,668)            | 470,380             |
| Prepaid expenses and other assets   | (159,080)            | (248,161)           |
| Advances paid to subcontractors   | (367,552)            | (666,528)           |
| Security deposits   | (563)                | (5,801)             |
| Increase (decrease) in liabilities:   |                      |                     |
| Accounts payable and accrued expenses   | (409,252)            | 2,783,217           |
| Accrued salary and vacation   | 114,250              | 161,277             |
| Deferred revenue/refundable advances  | (36,977)             | (1,006,479)         |
| <b>Net Cash Provided by (Used in) Operating Activities</b>  | <u>5,741,310</u>     | <u>(4,328,012)</u>  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                      |                     |
| Purchases of investments  | -                    | (130,278)           |
| Proceeds from investment sales  | -                    | 1,003,374           |
| Purchases of property and equipment   | (7,983,775)          | (713,195)           |
| <b>Net Cash (Used in) Provided by Investing Activities</b>  | <u>(7,983,775)</u>   | <u>159,901</u>      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                      |                     |
| Proceeds from notes and loans payable   | 17,088,118           | 8,165,571           |
| Principal payments of notes and loans payable   | (5,279,536)          | (2,024,632)         |
| Principal payments of mortgage payable  | (187,454)            | (135,235)           |
| <b>Net Cash Provided by Financing Activities</b>  | <u>11,621,128</u>    | <u>6,005,704</u>    |
| <b>NET INCREASE IN CASH AND RESTRICTED CASH</b>   | 9,378,663            | 1,837,593           |
| Cash and restricted cash - beginning of the year  | 2,487,092            | 649,499             |
| <b>CASH AND RESTRICTED CASH - END OF YEAR</b>   | <u>\$ 11,865,755</u> | <u>\$ 2,487,092</u> |
| <b>Supplemental Disclosure of Cash Flow Information:</b>  |                      |                     |
| Cash paid during the year for interest, net of capitalized interest                                   | <u>\$ 202,089</u>    | <u>\$ 312,717</u>   |

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

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES**

The consolidated financial statements of The Osborne Association, Inc. and Affiliates, (collectively referred to as the "Association") have been prepared by consolidating: The Osborne Association, Inc. ("OA"), Osborne Treatment Services, Inc. ("OTS"), 809 Westchester LLC ("809") and Thomas Mott Osborne Memorial Fund, Inc. ("TMO"). OTS, 809 and TMO are collectively referred to as "Affiliates." OA has effective control over and has an economic interest in the Affiliates. OA, OTS and TMO are organized under the Not-for-Profit Corporation Law of New York State and have been granted an exemption from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code. The sole member of 809 is OA, and the activity recorded for 809 is reported with OA.

The Association's purpose is to provide services to defendants, incarcerated people, formerly incarcerated people and their families: to provide alternatives to incarceration; to provide job training and job placement; to provide reentry services to people leaving prison and jail; and to operate an ambulatory substance use disorder program that includes outpatient and aftercare services and other public safety and public health services, throughout New York, receiving its support predominately from federal, New York State and New York City governmental sources. 809 holds title to the Bronx building and is a disregarded entity.

Descriptions of the Association's major programs are as follows:

- **ADOPTING HEALTHY LIFESTYLES**

**El Rio** is a highly structured and medically supervised intensive substance use disorder day-treatment program. It provides an alternative to incarceration or re-incarceration for individuals charged with drug-related crimes or on probation or parole, and mandated to treatment by the courts or community corrections agencies.

**Wellness and Prevention** provides services for people involved with the criminal justice system at-risk for, or coping with, substance use disorder, hepatitis and HIV/AIDS, or other infectious diseases. Services include; HIV/AIDS counseling, peer training, testing and education, reentry, discharge, transitional planning, case management, linkage to primary care, treatment adherence, and support groups.

**Housing Placement and Assistance** assists people living with HIV/AIDS to obtain and maintain transitional, supportive, and permanent housing placements following incarceration. This program supports participants in their efforts to maintain stable housing, develop the capacity to live independently, reduce risky behaviors, continue medical care, and maintain abstinence from substance abuse.

**Elder Reentry Initiative** is a partnership with the New York State Department of Corrections and Community Supervision to improve discharge planning for older incarcerated individuals. Osborne case managers assess individual reentry needs and create individualized, age-appropriate discharge and case management plans. Participants are escorted and supported throughout the reentry process and receive extensive follow-up service to ensure that their needs are fulfilled as they change.

- **ACHIEVING ECONOMIC INDEPENDENCE**

**Workforce Development** offers comprehensive workforce development and employment services to individuals with prior criminal justice involvement. Services include assessment, career and educational counseling, job readiness workshops, resume preparation, skills enhancement, assistance with job search and placement, social service referrals, and post-employment support. Osborne's Workforce Development unit pairs intensive preparation for individuals with an employer service model that addresses employer needs, working as a partner with employers to pair highly-qualified candidates with open positions.

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES (Continued)**

• **ACHIEVING ECONOMIC INDEPENDENCE (Continued)**

**Career Center (“the Center”)** provides men and women with criminal records with environmental and financial literacy education, and comprehensive career development, including soft skills and hard skills training that prepares them to enter and advance in sector-specific fields. The Center places participants in jobs that support their growth, their families, and the environment. The Center offers group and individual counseling to identify and address participants’ needs and provide referral services. Career Coaches offer services that include family support, educational and vocational support, skill-building activities, goal-setting and civic engagement to assist participants achieve long-term economic independence.

**Training to Work** provides men and women on work release the opportunity to expand their education and increase their employment skills in today’s fastest-growing fields: construction, waste management, food service and other industries.

**Justice Community** supports court-involved young adults (ages 18-24) in reconnecting with their families and communities to turn toward success in life. The program includes environmental and financial literacy training, career coaching, individual counseling and group support, community benefit projects, employment counseling, job placement and educational support.

**Prepare** offers a range of opportunities to fathers and those who serve in father-figure roles to increase their parenting skills while strengthening their relationships. Our programs include job readiness training, internships, and employment assistance to increase economic stability for participants and their families. The program consists of the Fatherhood Initiative and Responsible Fatherhood Opportunities for Reentry and Mobility program (ReFORM) funded activities to improve employability and strengthen the participant’s emotional and material support for their children.

**Arches** is a partnership with the NYC Department of Probation that reduces participant involvement with the criminal justice system. Arches provides positive intervention among youth on probation by providing support groups, assisting youth in identifying negative behaviors and maladaptive patterns of thinking, and providing mentors from the same communities and with similar experiences with the criminal justice system.

**NextSTEPS** is a partnership with the NYC Department of Probation focused on young people residing in or near New York City Housing Authority (“NYCHA”) developments. NextSTEPS is a positive intervention for youth who may be exposed to negative behaviors and maladaptive patterns of thinking. The program provides mentors from the same communities to build positive pathways and reveal opportunities to participating youth.

**Janitorial Maintenance Services** offers training and employment in the Association’s custodial service business to formerly incarcerated individuals with disabilities and a history of substance use disorder. The enterprise cleans public facilities and businesses throughout New York City (for prevailing wages and benefits) and also teaches participants to use environmentally friendly materials when cleaning.

**Fresh Start Catering** provides hot meals to local businesses, not-for-profits, and agencies. Fresh Start Catering offers training in food preparation, cooking, packaging, and delivery to formerly incarcerated individuals, providing the opportunity to transform their lives through culinary arts training leading to employment.

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES (Continued)**

- **REDUCING RELIANCE ON INCARCERATION**

**Jail-Based Services** is dedicated to breaking the cycle of recidivism by providing cognitive behavioral therapy, workforce readiness, fatherhood programming, and sector-specific job training. Services are provided both on Rikers Island and during the critical post-release period by offering support services, including employment placement and retention assistance. The Association offers the Jail-Based Community Reentry Program on Rikers Island to individuals identified as having the highest need in the community following release, enabling them to access services immediately upon release. The program is part of the Individualized Corrections Achievement Network Initiative (I-CAN) of the NYC Department of Correction.

**Court Advocacy Services** is a defender-based advocacy program assisting felony defendants, including juvenile offenders being tried in adult courts, that are represented by NYC assigned and institutional defense attorneys in pursuit of alternatives to incarceration. Staff conduct pre-plea and pre-sentence investigations of defendants' backgrounds to ascertain mitigating circumstances and advocate client-specific sentencing alternatives in appropriate cases. Long Termers Responsibility Project is an interdisciplinary advocacy effort that works with individuals serving lengthy sentences but who have completed their minimum sentences by helping them gain insight, take responsibility for their crimes, and prepare for their eventual release through a restorative justice framework in individual and group settings.

**Project Reset** is an alternative to arrest program diversion program that offers a constructive approach to minor crime, expanding the array of options available to law enforcement. Based in Harlem, individuals participate in one of four core interventions: trauma-coping, restorative justice, Naloxone treatment training, and community benefit projects. Participants are also linked to additional outside services. Participants in Project Reset who complete a two-hour intervention session will subsequently have their cases sealed (functionally clearing their record.) These participants do not have to go to court, and no record of their engagement with the justice system is retained.

- **RECONNECTING FAMILIES AND STRENGTHENING COMMUNITIES**

**Family Services** offers support to people affected by incarceration to make, mend and maintain family relationships and to plan for successful reentry from prison into their communities through the Family Ties program for mothers and FamilyWorks program for fathers. The programs offer parenting education in New York City and State correctional facilities informed by research and best practices on childhood and cognitive development and visiting support (in-person and through video-conferencing), Family Centers at several men's prisons, and community-based services for families.

**Children and Youth Services** provides psycho-social supportive services and developmentally appropriate programs for children and youth in the community. Through counseling, support groups, mentoring, assistance in accessing higher education, supervised visiting with parents (both in-person and through video-visiting), youth development activities, and recreational trips, the program works to alleviate the adverse effects, trauma, and stigma that incarceration has upon children and youth with parents in prison.

Services also include the Youth Experience Success for younger children and Youth Action Council for older youth interested in further skill-building and education that involves civic engagement, public speaking, grassroots organizing efforts, and advocacy for the rights of children who have justice-involved parents.

**Queensboro Reentry Services** provides a range of evidence-based reentry services and that address the specific needs of men returning to the community through workshops that cover reentry-related topics in the areas of healthy-living, employment, managing stress and expectations, and family dynamics; family-focused discharge planning; Health Improvement Services for people living with HIV/AIDS or other chronic health conditions; and, a CDC approved evidence-based intervention for men with histories of substance use disorder who are at risk for relapse and other adverse health behaviors.

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

**NOTE 1—ORGANIZATION AND NATURE OF ACTIVITIES (Continued)**

• **FULTON COMMUNITY REENTRY CENTER**

**Fulton** is a former New York State correctional facility donated to the Association to be redeveloped as a community reentry center and transitional residence for people returning home following incarceration. Fulton is currently in the redevelopment stage. When completed, Fulton will be a “one-stop” center capable of supporting the health, economic security, family, and social connectedness needs of people in reentry. Like all of the Association’s programs, Fulton will ultimately reduce recidivism, promote safety, and improve long-term outcomes for the families and communities to which they return. Anticipated services include transitional housing and economic development activity, including job training and workforce development services.

• **OSBORNE ASSOCIATION POLICY CENTER**

The **Osborne Center for Justice Across Generations** is the Association’s policy center. It is built on practitioner-based policy advocacy that is grounded in the experience of its participants and direct-service staff. The Center launches with two focus areas: children of arrested or incarcerated parents (through the **New York Initiative for Children of Incarcerated Parents**) and aging in prison and elder reentry. A key element of the policy center, the NY Initiative for Children of Incarcerated Parents, is a collaborative effort to raise awareness and reform policy around incarceration’s impact on children. The initiative aims to change child welfare and criminal justice policies and procedures to ensure children’s rights are upheld and their needs met through each stage of their parent’s involvement in the criminal justice system.

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Basis of Accounting and Principles of Consolidation** – The Association’s consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). All significant intercompany transactions have been eliminated during consolidation.

**B. Basis of Presentation** – The Association maintains its net assets under the following two classes:

- *Without donor restrictions* – include expendable resources that are not subject to donor-imposed stipulations and, therefore, may be expended for any purpose in performing the primary objectives of the Association.
- *With donor restrictions* – include resources subject to donor-imposed stipulations that limit their use either through purpose or time restrictions. In addition, this includes resources received subject to donor-imposed stipulations that are maintained intact in perpetuity by the Association. When donor restrictions expire, that is, when a time restriction ends or a purpose restriction is accomplished, donor restricted net assets are reclassified as net assets without donor restrictions and reported as net assets released from restrictions.

**C. Contributions Receivable** – are recorded as income when the Association is formally notified of the unconditional grants or contributions by the respective donors. Unless material, the Association does not discount multiyear pledges. Conditional contributions, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met.

**D. Allowance for Uncollectible Receivables** – As of June 30, 2021 and 2020, the Association has determined that an allowance of both \$45,215, for uncollectible contributions, and an allowance of \$126,877 and \$0, for uncollectable government grants receivables, respectively, was necessary. Such estimate is based on management’s assessments of the creditworthiness of its donors, the aged basis of its receivables, as well as current economic conditions and historical information.

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- E. Cash Equivalents** – Cash equivalents consist of all highly liquid instruments with maturities of three months or less when acquired, except for amounts held at an investment institution. The Association did not hold cash equivalents as of June 30, 2021 or 2020. The following table provides a reconciliation of cash and restricted cash reported within the consolidated statement of financial position to the sum of the corresponding amounts within the consolidated statements of cash flows as of June 30:

|                 | <u>2021</u>          | <u>2020</u>         |
|-----------------|----------------------|---------------------|
| Cash            | \$ 2,229,614         | \$ 2,487,092        |
| Restricted cash | <u>9,636,141</u>     | <u>-</u>            |
| Subtotal        | <u>\$ 11,865,755</u> | <u>\$ 2,487,092</u> |

- F. Investments and Fair Value Measurements** – Investments and the beneficial interest in perpetual trust are reported at fair value. Investment income, consisting of interest, dividends, realized and unrealized gains or losses, is classified as nonoperating revenue and is available to support operations. Fair value measurements are based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy prioritizes observable and unobservable inputs used to measure fair value into three levels, as described in Note 6.
- G. Property and Equipment** – Property and equipment are stated at cost less accumulated depreciation or amortization. These amounts do not purport to represent replacement or realizable values. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the useful lives of the improvements or the term of the applicable lease. The Association capitalizes all owned property and equipment having a useful life of greater than one year and a cost of \$5,000 or more. There may be instances where certain expenditures for property and equipment are included in the consolidated financial statements as expenses because the cost of these items was reimbursed by certain governmental funding sources and the contractual agreement specifies that title to these assets rests with the funding sources rather than the Association.
- H. Revenue Sources and Recognition** – Government grants for cost reimbursement contracts are considered conditional contributions and are recorded as revenues to the extent that expenses have been incurred for the purposes specified by the resource providers. Conditional contributions occur when there is both a barrier (such as allowable expenses associated with cost-reimbursement contracts) and a right of return or release from the grantor. To the extent amounts received exceed amounts spent or cash received in advance for future services to be provided, the Association records deferred revenue/refundable advances. The Association received cost-reimbursable grants of \$13,431,229 and \$3,363,809, respectively, that have not been recognized as of June 30, 2021 and 2020 because qualifying expenditures have not yet been incurred.

The Association derives revenues for providing janitorial services, which the transaction price is based on agreed upon rates with various contracting agencies. Revenue is recognized in the period that services are performed by the Association.

The Association provides services to individuals at their various locations related to their mission and receives payments from various government agencies. Revenue is reported at the amount that reflects the consideration to which the Association expects to be entitled to in exchange for provided services. The Association's performance obligation consists of a single element for clinical or support services provided and is recognized at the time the service is provided. Program service fees are accounted for at established rates for the services provided. Such reimbursement rates are subject to change and retrospective adjustment on the basis of review by the government agency responsible for such funding. Payment is due from the various government agencies when billed, however, due to the nature of the governmental business environment there may be various delays in payments being received. Any payments being received in advance are recorded as deferred revenue or refundable advances.

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
JUNE 30, 2021 AND 2020

**NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- I. **Functional Allocation of Expenses** – Because the Association is a multi-program/multi-funded organization, certain costs have been allocated among programs and supporting functions as determined by management, pursuant to the method the Association follows in seeking funding from third-party governmental sources. The consolidated financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include occupancy and insurance, which are allocated on a square footage basis, as well as salaries, wages and benefits, payroll taxes, professional services, information technology and other expenses, which are allocated mainly on the basis of estimates of time and effort. Expenses that can be identified with a specific program or support service are charged directly to that program or support service.
- J. **Deferred Rent** – U.S. GAAP requires that the Association accounts for free rent renovation credit and rent escalation charges on a straight-line basis. This accounting treatment is commonly referred to as “straight-lining of rent.” The difference between rent expense, under this method, and the lower rental amounts actually paid to the landlord are reported as a “deferred rent” obligation in the accompanying consolidated statements of financial position. The change in the deferred rent liability is reflected in the accompanying consolidated statements of activities.
- K. **Contributed Property, Services, Rent and Other In-Kind** – is recorded at fair market value on the date of donation. Contributed services had amounted to \$45,000 for the year ended June 30, 2021. There were no contributed services recorded for the year ended June 30, 2020. These amounts have been reflected in the accompanying consolidated financial statements for donated services.
- L. **Use of Estimates** – The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures at the date of the consolidated financial statements. Actual results could differ from those estimates.
- M. **Recent Accounting Pronouncements** – The Association has adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2014-09 – *Revenue from Contracts with Customers* (Topic 606) for the year ended June 30, 2021. The core guidance in ASU 2014-09 is to recognize revenue to depict the transfer of services to customers in the amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. The adoption of Topic 606 had no effect on the way the Association recognizes revenue.

The Association has adopted FASB ASU No. 2018-13 *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for the Fair Value Measurement* – which for nonpublic organizations eliminated and modified certain disclosure requirements for fair value as part of its disclosure framework project. This standard was effective for annual periods beginning after December 15, 2019, was adopted as of July 1, 2020, and did not have a material impact on the Association’s consolidated financial statements.

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 3—LIQUIDITY AND AVAILABILITY**

The Association regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The Association has various sources of liquidity at its disposal, including cash, receivables and line of credit that provides funding for operations and capital expenditures as needed.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Association considers all expenditures related to its ongoing activities. In addition to financial assets available to meet general expenditures over the next 12 months, the Association expects and anticipates collecting sufficient revenue to cover general expenditures.

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statements of financial position date, included the following as of June 30:

|  | <u>2021</u>              | <u>2020</u>              |
|--|--------------------------|--------------------------|
| Cash   | \$ 2,229,614             | \$ 2,487,092             |
| Government grants and other receivables, net   | 17,410,423               | 18,201,232               |
| Contributions receivable, net  | 982,449                  | 717,723                  |
| Investments  | <u>1,145,775</u>         | <u>792,232</u>           |
| <br>Total  | <br>21,768,261           | <br>22,198,279           |
| <br>Less: items unavailable for general expenditures within one year                                       |                          |                          |
| Net assets with donor restrictions, net of contributed property and beneficial interest in perpetual trust | (6,825,979)              | (3,662,849)              |
| Reserve fund   | (1,100,000)              | -                        |
| Contributions receivable due in one to five years  | <u>(132,088)</u>         | <u>(613,346)</u>         |
| <br>Total  | <br><u>\$ 13,710,194</u> | <br><u>\$ 17,922,084</u> |

Net assets with donor restrictions includes contributed land and building in the amount of \$5,000,000 to be released from restrictions upon being placed in service and a beneficial interest in a perpetual trust in the amount of \$283,427 and \$225,470 as of June 30, 2021 and 2020, respectively. These are excluded from net assets with donor restrictions in the liquidity calculation since they are not included in the financial assets identified above.

To help manage unanticipated liquidity needs, the Association has a line of credit of \$5,000,000 that it could draw upon at any time. As of June 30, 2021, no funds were drawn from the line of credit with \$5,000,000 remaining.



**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 4—PROPERTY AND EQUIPMENT**

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

|   | <u>2021</u>          | <u>2020</u>          | <u>Estimated<br/>Useful Lives</u> |
|---|----------------------|----------------------|-----------------------------------|
| Land  | \$ 1,414,417         | \$ 1,414,417         |                                   |
| Building  | 7,170,631            | 7,170,631            | 20 Years                          |
| Leasehold improvements                          | 1,028,533            | 928,529              | 15 Years                          |
| Vehicles  | 280,434              | 169,287              | 3 Years                           |
| Furniture and equipment                         | 957,506              | 835,103              | 7 Years                           |
| Construction in progress (see below)            | <u>11,265,514</u>    | <u>3,615,293</u>     |                                   |
| Total cost                                      | 22,117,035           | 14,133,260           |                                   |
| Less: accumulated depreciation and amortization | <u>(3,449,084)</u>   | <u>(3,080,187)</u>   |                                   |
| Net book value                                  | <u>\$ 18,667,951</u> | <u>\$ 11,053,073</u> |                                   |

Depreciation and amortization expense for the years ended June 30, 2021 and 2020 amounted to \$368,897 and \$325,054, respectively.

Construction in progress includes renovations to the Fulton building. The Association incurred costs of \$7,650,221 and \$541,629 for the fiscal years ended June 30, 2021 and 2020, respectively. The construction is expected to be completed in May 2022 and the estimated cost to complete is approximately \$29.6 million. The cost of construction is being funded by various New York State and City agencies and financing from financial institutions.

**NOTE 5— CONTRIBUTIONS RECEIVABLE**

Contributions receivable consisted of the following as of June 30:

|   | <u>2021</u>       | <u>2020</u>       |
|---|-------------------|-------------------|
| Due in less than one year                     | \$ 895,576        | \$ 149,592        |
| Due in one to five years                      | <u>132,088</u>    | <u>613,346</u>    |
| Subtotal                                      | 1,027,664         | 762,938           |
| Less: allowance for uncollectible receivables | <u>(45,215)</u>   | <u>(45,215)</u>   |
|   | <u>\$ 982,449</u> | <u>\$ 717,723</u> |

**NOTE 6—INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Investments consisted of the following as of June 30:

|                       | <u>2021</u>         | <u>2020</u>       |
|-----------------------|---------------------|-------------------|
| Money market funds    | \$ 26,961           | \$ 11,156         |
| Exchange-traded funds | 1,039,789           | 742,236           |
| Mutual funds          | 9,546               | 6,781             |
| Corporate stocks      | <u>69,479</u>       | <u>32,059</u>     |
|                       | <u>\$ 1,145,775</u> | <u>\$ 792,232</u> |

Investments are subject to market volatility that could substantially change their value in the near term.

The fair value hierarchy defines the three levels as follows:

Level 1: Valuations based on quoted prices (unadjusted) in an active market that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs. Level 1 instrument valuations are obtained from real-time quotes for transactions in active exchange markets involving identical assets.

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 6—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

Level 2: Valuations based on observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in inactive markets; or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.

Level 3: Valuations based on unobservable inputs are used when little or no market data is available. The fair value hierarchy gives lowest priority to Level 3 inputs.

In determining fair value, the Association utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk (or other parties such as counterparty in a swap) in its assessment of fair value.

**Money Market and Mutual Funds:**

Money market and mutual funds (the “funds”) are valued at their daily closing price as reported by the fund. These funds held by the Association are open-end funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value and to transact at that price. The funds held by the Association are deemed to be actively traded.

**Corporate Stocks and Exchange-Traded Funds:**

Corporate stocks and exchange traded funds are valued at the closing price reported on the active market on which the individual securities are traded.

**Beneficial Interest in Perpetual Trusts:**

Beneficial interest in perpetual trusts is valued based on the underlying securities (mutual funds) held in trust.

The following table presents the Association’s assets that are measured at fair value for each level at June 30, 2021:

|  | <u>Level 1</u>      | <u>Level 3</u>    | <u>Total</u>        |
|--|---------------------|-------------------|---------------------|
| Money market funds                     | \$ 26,961           | \$ -              | \$ 26,961           |
| Exchange-traded funds                  | 1,039,789           | -                 | 1,039,789           |
| Mutual funds                           | 9,546               | -                 | 9,546               |
| Corporate stocks                       | 69,479              | -                 | 69,479              |
| Beneficial interest in perpetual trust | <u>-</u>            | <u>283,427</u>    | <u>283,427</u>      |
| Assets at Fair Value                   | <u>\$ 1,145,775</u> | <u>\$ 283,427</u> | <u>\$ 1,429,202</u> |

The following table presents the Association’s assets that are measured at fair value for each level at June 30, 2020:

|  | <u>Level 1</u>    | <u>Level 3</u>    | <u>Total</u>        |
|--|-------------------|-------------------|---------------------|
| Money market funds                     | \$ 11,156         | \$ -              | \$ 11,156           |
| Exchange-traded funds                  | 742,236           | -                 | 742,236             |
| Mutual funds                           | 6,781             | -                 | 6,781               |
| Corporate stocks                       | 32,059            | -                 | 32,059              |
| Beneficial interest in perpetual trust | <u>-</u>          | <u>225,470</u>    | <u>225,470</u>      |
| Assets at Fair Value                   | <u>\$ 792,232</u> | <u>\$ 225,470</u> | <u>\$ 1,017,702</u> |

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 6—INVESTMENTS AND FAIR VALUE MEASUREMENTS (Continued)**

The reconciliation for the years ended June 30, 2021 and 2020, of the beneficial interest in perpetual trust measured at estimated fair value classified in Level 3 is as follows:

|                            | <u>2021</u>       | <u>2020</u>       |
|----------------------------|-------------------|-------------------|
| Balance, beginning of year | \$ 225,470        | \$ 225,583        |
| Unrealized gain (loss)     | <u>57,957</u>     | <u>(113)</u>      |
| Balance, end of year       | <u>\$ 283,427</u> | <u>\$ 225,470</u> |

**NOTE 7—BENEFICIAL INTEREST IN PERPETUAL TRUST**

TMO is the beneficiary of a trust established in 1951 with original investment assets totaling \$35,000. Such assets are reflected at fair value and are held in perpetuity by a third-party trustee. TMO receives the annual earnings. The underlying assets of this trust consisted of the following as of June 30:

|                    | <u>2021</u>       | <u>2020</u>       |
|--------------------|-------------------|-------------------|
| Money market funds | \$ 6,355          | \$ 5,750          |
| Mutual funds       | <u>277,072</u>    | <u>219,720</u>    |
|                    | <u>\$ 283,427</u> | <u>\$ 225,470</u> |

**NOTE 8—DEFERRED REVENUE / REFUNDABLE ADVANCES**

Refundable advances represent advances received from various funding sources under government contracts for which the Association has not yet met the grant conditions or provided the services. In addition, they include amounts due to government agencies that primarily represent advances received during current and prior years. Such amounts will be recouped by the funding sources.

As of both June 30, 2021 and 2020, OTS established a reserve of approximately \$190,000, for potential audit adjustments resulting from potential future audits of its Medicaid program by The State of New York Office of the Medicaid Inspector General (“OMIG”). Such reserve is included in deferred revenue/refundable advances in the accompanying consolidated financial statements. In September 2020, the Association received an audit report from OMIG noting preliminary overpayments totaling approximately \$57,000. The overpayment amount is accrued as part of the \$190,000. The Association is currently appealing the preliminary audit conclusion and cannot predict the outcome at this time.

In 2020, the Association collected approximately \$72,000 in payments from various healthcare companies that provided service paid for by the Beacon Network. The Association received notice in September 2019, that it was no longer a provider within the Beacon Network, but had continued to receive payments. Those payments have been recorded as a contingency accrual and are included in the \$190,000 reserve, should Beacon Network require the Association to repay any overpayments.

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 9—NOTES AND LOANS PAYABLE**

Notes and loans payable consisted of the following as of June 30:

|   | <u>2021</u>         | <u>2020</u>         | <u>Annual Interest</u><br><u>Rate</u> | <u>Due Date</u> |
|---|---------------------|---------------------|---------------------------------------|-----------------|
| A line of credit from a bank totaling \$5,000,000. Expiring in March 2022. Secured by all assets of OA. As of February 22, 2022, the outstanding borrowings on the line of credit amounted to \$2,049,748.  | \$ -                | \$ 2,999,998        | 360-day Adjusted<br>LIBOR, plus 3%    | 2022            |
| In April 2020, the Association obtained a Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan from a bank that does not require payments of principal or interest unless the Association does not meet the terms required for forgiveness. See Note 11D for more information.  | 3,630,726           | 3,630,726           | 1%                                    | 2022            |
| Through fiscal year 2021, the Fund for the City of New York approved interest-free loans totaling \$2,147,118 to cover operating expenses of a government contract.   | 2,147,118           | 2,269,845           | 0%                                    | 2022            |
| In August 2018, The Rector, Church-Wardens, and Vestrymen of Trinity Church ("Trinity"), in the City of New York approved an interest-free loan of \$850,000 to cover the pre-development costs related to the rehabilitation of the Fulton Facility. The loan does not have a stated maturity date but is expected to be repaid upon completion of the Fulton Facility rehabilitation. | 850,000             | 850,000             | 0%                                    | 2022            |
| To a financing company. Secured by the related vehicle under a retail installment contract with monthly payments of \$573.  | 8,453               | 15,450              | 2.90%                                 | 2023            |
| To a financing company. Secured by the related vehicle under a retail installment contract with monthly payments of \$449.  | <u>-</u>            | <u>2,696</u>        | 0%                                    | 2021            |
|   | <u>\$ 6,636,297</u> | <u>\$ 9,768,715</u> |                                       |                 |

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 9—NOTES AND LOANS PAYABLE (Continued)**

Future annual principal payments for each of the fiscal years ended after June 30, 2021 are as follows:

|      |                     |
|------|---------------------|
| 2022 | \$ 6,634,717        |
| 2023 | <u>1,580</u>        |
|      | <u>\$ 6,636,297</u> |

In July 2020, the Association obtained a building loan for the Fulton Project from Well Fargo Trust Company, National Association. The building loan has a principal amount up to \$14,485,205 and bears interest at 3.85%. The building loan has a stated maturity of September 15, 2042 and Debt Service will commence following completion of the project and is still undetermined. The borrowings had amounted to \$12,576,168 as of June 30, 2021. There were no borrowings as of June 30, 2020. The Association capitalized interest costs of \$277,035 during the year ended June 30, 2021.

In July 2020, the Association obtained a building loan for the Fulton Project from Well Fargo Trust Company, National Association. The building loan has a principal amount up to \$4,782,542 and bears interest at 3.85%. The building loan has a stated maturity of September 15, 2042 and Debt Service will commence following completion of the project and is still undetermined. The borrowings had amounted to \$2,364,832 as of June 30, 2021. There were no borrowings as of June 30, 2020. The Association capitalized interest costs of \$47,344 during the year ended June 30, 2021.

**NOTE 10—MORTGAGE PAYABLE**

In June 2017, TMO refinanced the mortgage agreement with another financial institution in the amount of \$3,400,000 at an annual interest rate of 4.1%. Payments are to be made in equal monthly installments of \$25,423 commencing July 25, 2017. This mortgage loan has a 15-year amortization and matures on June 26, 2032, at which time the remaining unpaid principal balance and accrued unpaid interest become due. The amount outstanding as of June 30, 2021 and 2020 amounted to \$2,735,211 and \$2,922,665, respectively. The mortgage is collateralized by the property at 809 Westchester Avenue, Bronx, NY. In April 2020, the Association obtained an approval to have three months of payments deferred. As a result, those deferred payments are now due upon maturity of the mortgage. The Association is required to meet a certain debt covenant ratio in relation to the mortgage and is in compliance at both June 30, 2021 and 2020.

Future annual principal payments for each of the fiscal years ended after June 30, 2021 are as follows:

|            |                     |
|------------|---------------------|
| 2022       | \$ 196,231          |
| 2023       | 205,281             |
| 2024       | 213,985             |
| 2025       | 223,059             |
| 2026       | 232,517             |
| Thereafter | <u>1,664,138</u>    |
|            | <u>\$ 2,735,211</u> |

**NOTE 11—COMMITMENTS AND CONTINGENCIES**

- A. The Association has contractual relationships with certain governmental funding sources that provide the right to examine the books and records of the Association involving transactions relating to these contracts. The accompanying consolidated financial statements make no provision for possible disallowances except as discussed in Note 8. Although such possible disallowances could be substantial in amount, in the opinion of management, any actual disallowances are expected to be immaterial. In addition, certain agreements provide that some property and equipment either owned by or on loan to the Association (the cost of which may have been expensed—see Note 2G) must be utilized by the Association to continue owning and/or using these assets.

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 11—COMMITMENTS AND CONTINGENCIES (Continued)**

- B. The Association is obligated under non-cancelable lease agreements for office space through fiscal year 2032. Minimum annual rentals related to the leases for each of the fiscal years ended after June 30, 2021 are approximately as follows:

|            |                      |
|------------|----------------------|
| 2022       | \$ 1,089,000         |
| 2023       | 1,128,000            |
| 2024       | 1,172,000            |
| 2025       | 1,205,000            |
| 2026       | 1,239,000            |
| Thereafter | <u>4,972,000</u>     |
|            | <u>\$ 10,805,000</u> |

Rent expense for the years ended June 30, 2021 and 2020 amounted to \$1,015,781 and \$845,729, respectively, and is included in occupancy expense in the accompanying consolidated financial statements.

- C. The Association believes it has no uncertain tax positions as of June 30, 2021 and 2020, in accordance with the provisions of FASB ASC Topic 740, *Income Taxes*.
- D. On April 20, 2020, the Association received loan proceeds of approximately \$3.6 million under the PPP. Established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying businesses in amounts up to 2.5 times the business's average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" (eight or 24 weeks) if the borrower maintains its payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. The Association intends to use PPP loan proceeds for purposes consistent with the PPP and apply for forgiveness within 10 months of the end of the covered period.

To the extent that the Association is not granted forgiveness, it will be required to pay interest on the PPP loan at a rate of 1% per annum. If the application for forgiveness is not made within 10 months of the end of the covered period, payments of principal and interest will be required through the maturity date of April 20, 2022. The terms of the loan provide for customary events of default, including payment defaults, breach of representation of warranties, and insolvency events. The PPP loan may be accelerated upon the occurrence of a default event.

- E. The COVID-19 pandemic remains an evolving situation. The extent of the impact of COVID-19 on the Association's business and financial results will depend on future developments, including the duration and spread of the outbreak. Due to the changing business environment, market volatility, and other circumstances resulting from the COVID-19 pandemic, the Association is currently unable to fully determine the extent of COVID-19's impact on its business in future periods. Its performance in future periods may be influenced by the timing, length, and intensity of the economic recoveries in the United States. The Association continues to monitor evolving economic and general business conditions and the actual and potential impacts on its financial position and results.

**NOTE 12—PENSION PLANS**

The Association maintains two qualified pension plans (the "Plans") covering all eligible employees as defined.

Thrift Plan

This Plan is a tax-sheltered annuity plan qualified under Section 403(b) of the Internal Revenue Code. Contributions to the Plan are employee funded. Employees may contribute to the Plan up to the maximum permitted by law.

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 12—PENSION PLANS (Continued)**

Employee Benefits Plan

This Plan is a money purchase plan covering all full-time eligible employees. Employer contributions are fixed at 3% of eligible salaries, plus an amount equal to 100% of the first 3% of employee contributions into the Thrift Plan.

Employer contributions amounted to \$554,355 and \$505,055 for the years ended June 30, 2021 and 2020, respectively, and are included in payroll taxes and employee benefits expense in the accompanying consolidated financial statements.

**NOTE 13—NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions were available for the following purposes or periods as of June 30:

|  | <u>2021</u>          | <u>2020</u>         |
|--|----------------------|---------------------|
| Donated property – Fulton                  | \$ 4,250,000         | \$ 4,250,000        |
| Capital grants for redevelopment of Fulton | 3,104,521            | 1,586,364           |
| Programmatic services                      | 3,721,458            | 2,076,485           |
| Donated property (land – Fulton)           | 750,000              | 750,000             |
| Beneficial interest in perpetual trust     | <u>283,427</u>       | <u>225,470</u>      |
|  | <u>\$ 12,109,406</u> | <u>\$ 8,888,319</u> |

Net assets were released from donor restrictions during the years ended June 30, 2021 and 2020 by incurring expenses satisfying the restricted purpose or occurrence specified by the donors and amounted to \$1,564,243 and \$933,659, respectively.

**NOTE 14 – BOARD DESIGNATED FUNDS**

|  | 6/30/2020      |                     |                    | 6/30/2021           |
|--|----------------|---------------------|--------------------|---------------------|
|  | <u>Balance</u> | <u>Additions</u>    | <u>Withdrawals</u> | <u>Balance</u>      |
| The Osborne Association, Inc. Reserve Fund | \$ -           | \$ 1,100,000        | \$ -               | \$ 1,100,000        |
| Fulton Contingency Reserve Fund            | <u>-</u>       | <u>890,873</u>      | <u>-</u>           | <u>890,873</u>      |
| Total                                      | <u>\$ -</u>    | <u>\$ 1,990,873</u> | <u>\$ -</u>        | <u>\$ 1,990,873</u> |

The Osborne Association, Inc. Reserve Fund was established through a board resolution in June 2021. The funds had been designated, out of available surplus for the fiscal year ended June 30, 2021, a reserve fund equal to 90% of such surplus, or such lesser amount, but in no event less than 80% of such surplus, as determined by the finance committee. Funds in the reserve fund may be disbursed only by action of the board, whose resolution authorizing disbursement shall specify the amounts of the disbursement authorized, and the permissible uses therefore. The Finance committee had reserved \$1,100,000 for the year ended June 30, 2021.

The Fulton Contingency Reserve Fund was a fund established as a contingency to overcome budget shortfalls for the Fulton Project. The corpus of the fund was obtained through reimbursements for the pre-development costs for the Fulton Project and is included in miscellaneous income on the consolidated statements of activities.

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2021 AND 2020**

**NOTE 15 – RESTRICTED CASH**

Restricted cash consisted of the following as of June 30, 2021:

|  |                     |
|--|---------------------|
| Wells Fargo Fulton Cash Management Account     | \$ 1,275            |
| TIAA Fulton Project Loan Construction Account  | 3,614,469           |
| TIAA Fulton Building Loan Construction Account | <u>6,020,397</u>    |
| Total  | <u>\$ 9,636,141</u> |

The Association held the cash in restriction for the Fulton construction project. These amounts have been reflected in the accompanying consolidated financial statements as restricted cash. There was no restricted cash as of June 30, 2020.

**NOTE 16—CONCENTRATIONS**

Cash that potentially subjects the Association to a concentration of credit risk include cash accounts with banks that may exceed the Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accounts are insured up to \$250,000 per depositor. As of June 30, 2021 and 2020, cash held in one bank exceeded FDIC limits by approximately \$11,500,000 and \$2,300,000, respectively.

**NOTE 17—SUBSEQUENT EVENTS**

The Association has evaluated events subsequent to the date of the consolidated statement of financial position through February 22, 2022 the date the consolidated financial statements were available to be issued.



**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2021**  
**(With Comparative Totals for June 30, 2020)**

| As of June 30, 2021                         |                                  |  |  |                               |                               |                               |
|---|----------------------------------|--|--|-------------------------------|-------------------------------|-------------------------------|
|   | The Osborne<br>Association, Inc. | Osborne<br>Treatment<br>Services, Inc. | Thomas Mott<br>Osborne<br>Memorial<br>Fund, Inc. | Consolidating<br>Eliminations | Consolidated<br>Total<br>2021 | Consolidated<br>Total<br>2020 |
| <b>ASSETS</b>                               |                                  |  |  |                               |                               |                               |
| Cash  | \$ 1,603,714                     | \$ 609,014                             | \$ 16,886  | \$ -                          | \$ 2,229,614                  | \$ 2,487,092                  |
| Restricted cash                             | -                                | -                                      | 9,636,141  | -                             | 9,636,141                     | -                             |
| Government grants and other receivables     | 9,601,050                        | 7,691,891                              | 117,482  | -                             | 17,410,423                    | 18,201,232                    |
| Contributions receivable, net               | 982,449                          | -                                      | -  | -                             | 982,449                       | 717,723                       |
| Investments                                 | 1,145,775                        | -                                      | -  | -                             | 1,145,775                     | 792,232                       |
| Due from affiliated organizations           | 2,711,645                        | -                                      | (170,547)  | (2,541,098)                   | -                             | -                             |
| Prepaid expenses and other assets           | 442,153                          | -                                      | -  | -                             | 442,153                       | 283,073                       |
| Advances paid to subcontractors             | -                                | 1,034,080                              | -  | -                             | 1,034,080                     | 666,528                       |
| Property and equipment, net                 | 3,162,620                        | -                                      | 15,505,331                                       | -                             | 18,667,951                    | 11,053,073                    |
| Security deposits                           | 170,509                          | -                                      | -  | -                             | 170,509                       | 169,946                       |
| Beneficial interest in perpetual trust      | -                                | -                                      | 283,427  | -                             | 283,427                       | 225,470                       |
| <b>TOTAL ASSETS</b>                         | <u>\$ 19,819,915</u>             | <u>\$ 9,334,985</u>                    | <u>\$ 25,388,720</u>                             | <u>\$ (2,541,098)</u>         | <u>\$ 52,002,522</u>          | <u>\$ 34,596,369</u>          |
| <b>LIABILITIES</b>                          |                                  |  |  |                               |                               |                               |
| Accounts payable and accrued expenses       | \$ 2,525,200                     | \$ 2,587,807                           | \$ 8,249   | \$ -                          | \$ 5,121,256                  | \$ 5,530,508                  |
| Accrued salary and vacation                 | 708,187                          | -                                      | -  | -                             | 708,187                       | 593,937                       |
| Deferred rent                               | 487,529                          | -                                      | -  | -                             | 487,529                       | 66,601                        |
| Deferred revenue/refundable advances        | 132,044                          | 62,000                                 | -  | -                             | 194,044                       | 231,021                       |
| Due to affiliated organizations             | -                                | 2,541,098                              | -  | (2,541,098)                   | -                             | -                             |
| Notes and loans payable                     | 5,350,839                        | 435,458                                | 850,000  | -                             | 6,636,297                     | 9,768,715                     |
| Construction loans payable                  | -                                | -                                      | 14,941,000                                       | -                             | 14,941,000                    | -                             |
| Mortgage payable                            | 2,735,211                        | -                                      | -  | -                             | 2,735,211                     | 2,922,665                     |
| <b>TOTAL LIABILITIES</b>                    | <u>11,939,010</u>                | <u>5,626,363</u>                       | <u>15,799,249</u>                                | <u>(2,541,098)</u>            | <u>30,823,524</u>             | <u>19,113,447</u>             |
| <b>NET ASSETS</b>                           |                                  |  |  |                               |                               |                               |
| Without donor restrictions                  |                                  |  |  |                               |                               |                               |
| Board Designated - Reserve Fund             | 1,100,000                        | -                                      | -  | -                             | 1,100,000                     | -                             |
| Fulton Contingency - Reserve Fund           | -                                | -                                      | 890,873  | -                             | 890,873                       | -                             |
| Available for operations                    | 3,205,280                        | 3,562,789                              | 310,650  | -                             | 7,078,719                     | 6,594,603                     |
| Total net assets without donor restrictions | 4,305,280                        | 3,562,789                              | 1,201,523  | -                             | 9,069,592                     | 6,594,603                     |
| With donor restrictions                     | 3,575,625                        | 145,833                                | 8,387,948  | -                             | 12,109,406                    | 8,888,319                     |
| <b>TOTAL NET ASSETS</b>                     | <u>7,880,905</u>                 | <u>3,708,622</u>                       | <u>9,589,471</u>                                 | <u>-</u>                      | <u>21,178,998</u>             | <u>15,482,922</u>             |
| <b>TOTAL LIABILITIES AND NET ASSETS</b>     | <u>\$ 19,819,915</u>             | <u>\$ 9,334,985</u>                    | <u>\$ 25,388,720</u>                             | <u>\$ (2,541,098)</u>         | <u>\$ 52,002,522</u>          | <u>\$ 34,596,369</u>          |

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2021**  
**(With Comparative Totals for June 30, 2020)**

|   | For the Year Ended June 30, 2021 |  |  |                               |                               |                               |
|---|----------------------------------|--|--|-------------------------------|-------------------------------|-------------------------------|
|   | The Osborne<br>Association, Inc. | Osborne<br>Treatment<br>Services, Inc. | Thomas Mott<br>Osborne<br>Memorial<br>Fund, Inc. | Consolidating<br>Eliminations | Consolidated<br>Total<br>2021 | Consolidated<br>Total<br>2020 |
| <b>OPERATING SUPPORT AND REVENUE:</b>                 |                                  |  |  |                               |                               |                               |
| <b>Public Support:</b>                                |                                  |  |  |                               |                               |                               |
| Contributions and grants                              | \$ 4,160,804                     | \$ -                                   | \$ -   | \$ -                          | \$ 4,160,804                  | \$ 2,535,092                  |
| Donated services                                      | 45,000                           | -                                      | -  | -                             | 45,000                        | -                             |
| <b>Total Public Support</b>                           | <u>4,205,804</u>                 | <u>-</u>                               | <u>-</u>   | <u>-</u>                      | <u>4,205,804</u>              | <u>2,535,092</u>              |
| <b>Fee for Service:</b>                               |                                  |  |  |                               |                               |                               |
| Medicaid  | -                                | 1,302,752                              | -  | -                             | 1,302,752                     | 1,047,990                     |
| Janitorial  | 8,293,947                        | -                                      | -  | -                             | 8,293,947                     | 5,915,335                     |
| Catering  | 3,652                            | -                                      | -  | -                             | 3,652                         | 146,793                       |
| <b>Total Fee for Service</b>                          | <u>8,297,599</u>                 | <u>1,302,752</u>                       | <u>-</u>   | <u>-</u>                      | <u>9,600,351</u>              | <u>7,110,118</u>              |
| <b>Governmental Support:</b>                          |                                  |  |  |                               |                               |                               |
| New York State  | 2,991,647                        | 59,069                                 | 1,518,157  | -                             | 4,568,873                     | 3,400,365                     |
| New York City   | 12,606,220                       | 4,172,831                              | -  | -                             | 16,779,051                    | 14,901,428                    |
| Federal-direct and indirect                           | 2,345,862                        | 187,730                                | -  | -                             | 2,533,592                     | 2,766,008                     |
| <b>Total Governmental Support</b>                     | <u>17,943,729</u>                | <u>4,419,630</u>                       | <u>1,518,157</u>                                 | <u>-</u>                      | <u>23,881,516</u>             | <u>21,067,801</u>             |
| <b>Revenue:</b>                                       |                                  |  |  |                               |                               |                               |
| Management fee  | 769,770                          | -                                      | -  | (769,770)                     | -                             | -                             |
| <b>TOTAL OPERATING SUPPORT REVENUE</b>                | <u>31,216,902</u>                | <u>5,722,382</u>                       | <u>1,518,157</u>                                 | <u>(769,770)</u>              | <u>37,687,671</u>             | <u>30,713,011</u>             |
| <b>OPERATING EXPENSES:</b>                            |                                  |  |  |                               |                               |                               |
| <b>Program Services:</b>                              |                                  |  |  |                               |                               |                               |
| Adopting healthy lifestyles                           | 2,083,144                        | 2,228,809                              | -  | (414,822)                     | 3,897,131                     | 2,843,673                     |
| Achieving economic independence:                      |                                  |  |  |                               |                               |                               |
| Workforce development                                 | 2,713,142                        | -                                      | -  | (422,662)                     | 2,290,480                     | 3,113,480                     |
| Janitorial/maintenance services                       | 7,225,959                        | -                                      | -  | (20,979)                      | 7,204,980                     | 5,329,943                     |
| Fresh start catering                                  | 359,966                          | -                                      | -  | -                             | 359,966                       | 543,770                       |
| Reducing reliance on incarceration:                   |                                  |  |  |                               |                               |                               |
| Jail-based services                                   | 2,806,473                        | -                                      | -  | -                             | 2,806,473                     | 3,392,962                     |
| Court advocacy services                               | 973,242                          | 2,716,690                              | -  | -                             | 3,689,932                     | 3,690,594                     |
| Reconnecting families and strengthening communities   | 5,907,557                        | -                                      | -  | (16,741)                      | 5,890,816                     | 5,058,166                     |
| Fulton community reentry center                       | 151,007                          | -                                      | -  | -                             | 151,007                       | 108,655                       |
| Osborne Association policy center                     | 210,493                          | -                                      | -  | -                             | 210,493                       | 409,144                       |
| <b>Total Program Services Expenses</b>                | <u>22,430,983</u>                | <u>4,945,499</u>                       | <u>-</u>   | <u>(875,204)</u>              | <u>26,501,278</u>             | <u>24,490,387</u>             |
| <b>Supporting Services:</b>                           |                                  |  |  |                               |                               |                               |
| Management and administration                         | 6,284,615                        | 674,388                                | 1,055  | (893,846)                     | 6,066,212                     | 4,667,214                     |
| Fundraising   | 905,941                          | -                                      | -  | (60,289)                      | 845,652                       | 716,626                       |
| <b>Total Supporting Services Expenses</b>             | <u>7,190,556</u>                 | <u>674,388</u>                         | <u>1,055</u>                                     | <u>(954,135)</u>              | <u>6,911,864</u>              | <u>5,383,840</u>              |
| <b>TOTAL OPERATING EXPENSES</b>                       | <u>29,621,539</u>                | <u>5,619,887</u>                       | <u>1,055</u>                                     | <u>(1,829,339)</u>            | <u>33,413,142</u>             | <u>29,874,227</u>             |
| <b>OPERATING INCOME</b>                               | <u>1,595,363</u>                 | <u>102,495</u>                         | <u>1,517,102</u>                                 | <u>1,059,569</u>              | <u>4,274,529</u>              | <u>838,784</u>                |
| <b>NONOPERATING ACTIVITIES:</b>                       |                                  |  |  |                               |                               |                               |
| Interest and dividends                                | 114                              | -                                      | 5,782  | -                             | 5,896                         | 3,456                         |
| Realized loss on investments                          | -                                | -                                      | -  | -                             | -                             | (865)                         |
| Unrealized gain (loss) in market value of investments | 327,956                          | -                                      | -  | -                             | 327,956                       | (64,273)                      |
| Gain (loss) on beneficial interest in perpetual trust | -                                | -                                      | 57,957   | -                             | 57,957                        | (113)                         |
| Rental income   | 1,059,569                        | -                                      | -  | (1,059,569)                   | -                             | -                             |
| Miscellaneous income                                  | -                                | -                                      | 890,873  | -                             | 890,873                       | -                             |
| Other income  | 138,865                          | -                                      | -  | -                             | 138,865                       | 123,884                       |
| <b>NONOPERATING INCOME</b>                            | <u>1,526,504</u>                 | <u>-</u>                               | <u>954,612</u>                                   | <u>(1,059,569)</u>            | <u>1,421,547</u>              | <u>62,089</u>                 |
| <b>CHANGE IN NET ASSETS</b>                           | <u>3,121,867</u>                 | <u>102,495</u>                         | <u>2,471,714</u>                                 | <u>-</u>                      | <u>5,696,076</u>              | <u>900,873</u>                |
| <b>NET ASSETS - BEGINNING OF YEAR</b>                 | <u>4,759,038</u>                 | <u>3,606,127</u>                       | <u>7,117,757</u>                                 | <u>-</u>                      | <u>15,482,922</u>             | <u>14,582,049</u>             |
| <b>NET ASSETS - END OF YEAR</b>                       | <u>\$ 7,880,905</u>              | <u>\$ 3,708,622</u>                    | <u>\$ 9,589,471</u>                              | <u>\$ -</u>                   | <u>\$ 21,178,998</u>          | <u>\$ 15,482,922</u>          |

See independent auditors' report.

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021  
(With Comparative Totals for June 30, 2020)

For the Year Ended June 30, 2021

The Osborne Association, Inc.

|  | Achieving Economic Independence |                          |  |                            | Reducing Reliance on Incarceration |                               | Reconnecting Families<br>and Strengthening<br>Communities | Fulton<br>Community<br>Reentry Center | Osborne<br>Association<br>Policy Center | Total<br>Program<br>Services | Management<br>and<br>Administration | Fundraising | Total<br>Supporting<br>Services | The Osborne<br>Association, Inc.<br>Total |
|--|---------------------------------|--------------------------|--|----------------------------|------------------------------------|-------------------------------|---|---------------------------------------|---|------------------------------|-------------------------------------|-------------|---------------------------------|---|
|  | Adopting<br>Healthy Lifestyles  | Workforce<br>Development | Janitorial/<br>Maintenance<br>Services | Fresh<br>Start<br>Catering | Jail - Based<br>Services           | Court<br>Advocacy<br>Services |   |                                       |   |                              |                                     |             |                                 |   |
| OPERATING EXPENSES:                            |                                 |                          |  |                            |                                    |                               |   |                                       |   |                              |                                     |             |                                 |   |
| Salaries                                       | \$ 1,038,933                    | \$ 1,069,399             | \$ 5,595,222                           | \$ 253,786                 | \$ 1,713,511                       | \$ 564,765                    | \$ 3,223,855  | \$ 115,378                            | \$ 150,902                              | \$ 13,725,751                | \$ 3,200,928                        | \$ 307,609  | \$ 3,508,537                    | \$ 17,234,288                             |
| Payroll taxes and employee benefits            | 275,148                         | 364,658                  | 782,494                                | 63,530                     | 564,771                            | 159,186                       | 928,955   | 28,994                                | 37,139                                  | 3,204,875                    | 746,711                             | 49,428      | 796,139                         | 4,001,014                                 |
| Total Salaries and Related Costs               | 1,314,081                       | 1,434,057                | 6,377,716                              | 317,316                    | 2,278,282                          | 723,951                       | 4,152,810   | 144,372                               | 188,041                                 | 16,930,626                   | 3,947,639                           | 357,037     | 4,304,676                       | 21,235,302                                |
| Occupancy                                      | 121,103                         | 268,674                  | 17,033                                 | 8,885                      | 242,209                            | 152,857                       | 667,570   | 5,934                                 | 2,931                                   | 1,487,196                    | 419,254                             | 50,726      | 469,980                         | 1,957,176                                 |
| Supplies and expensed equipment                | 63,880                          | 82,593                   | 138,946                                | 3,323                      | 85,052                             | 11,459                        | 173,993   | 14                                    | 7,582                                   | 566,842                      | 486,673                             | 39,102      | 525,775                         | 1,092,617                                 |
| Professional fees                              | 25,375                          | 107,908                  | -                                      | 706                        | -                                  | 10,000                        | 107,145   | -                                     | 4,250                                   | 255,384                      | 266,691                             | 407,682     | 674,373                         | 929,757                                   |
| Professional fees - subcontractors             | 452,551                         | 621,104                  | -                                      | -                          | 11,473                             | 7,774                         | 325,895   | -                                     | -                                       | 1,418,797                    | -                                   | -           | -                               | 1,418,797                                 |
| Value of pro-bono legal services               | -                               | -                        | -                                      | -                          | -                                  | -                             | -   | -                                     | -                                       | -                            | 45,000                              | -           | 45,000                          | 45,000                                    |
| Direct participant costs                       | 10,026                          | 117,792                  | -                                      | -                          | 28,525                             | -                             | 203,703   | -                                     | 2,825                                   | 362,871                      | 987                                 | 100         | 1,087                           | 363,958                                   |
| Telephone                                      | 23,452                          | 24,996                   | 27,133                                 | 1,261                      | 27,803                             | 8,929                         | 57,757  | 226                                   | 3,954                                   | 175,511                      | 20,056                              | 4,532       | 24,588                          | 200,099                                   |
| Repairs, maintenance and alterations           | 9,310                           | 562                      | 200                                    | 9,148                      | 625                                | 37                            | 58,049  | -                                     | -                                       | 77,931                       | 128,012                             | -           | 128,012                         | 205,943                                   |
| Miscellaneous                                  | 10,122                          | 6,282                    | 372,248                                | 12,904                     | 10,293                             | 2,950                         | 24,822  | 425                                   | 695                                     | 440,741                      | 52,852                              | 28,471      | 81,323                          | 522,064                                   |
| Insurance                                      | 16,727                          | 43,730                   | 255,354                                | 6,067                      | 74,147                             | 25,583                        | 79,876  | -                                     | -                                       | 501,484                      | 86,757                              | -           | 86,757                          | 588,241                                   |
| Training                                       | 12,393                          | 509                      | -                                      | -                          | 9,760                              | 70                            | 5,266   | -                                     | 215                                     | 28,213                       | 8,785                               | 858         | 9,643                           | 37,856                                    |
| Travel   | 19,156                          | 663                      | 7,410                                  | 290                        | 2,581                              | 91                            | 12,388  | 36                                    | -                                       | 42,615                       | 12,082                              | -           | 12,082                          | 54,697                                    |
| Auto   | 1,646                           | -                        | 8,541                                  | 66                         | 3,972                              | -                             | 8,343   | -                                     | -                                       | 22,568                       | 1,834                               | -           | 1,834                           | 24,402                                    |
| Direct mail and special events                 | -                               | -                        | -                                      | -                          | -                                  | -                             | -   | -                                     | -                                       | -                            | -                                   | 3,185       | 3,185                           | 3,185                                     |
| Management fees - intercompany                 | -                               | -                        | -                                      | -                          | -                                  | -                             | -   | -                                     | -                                       | -                            | 95,382                              | -           | 95,382                          | 95,382                                    |
| Bad debt expense                               | -                               | -                        | -                                      | -                          | -                                  | -                             | -   | -                                     | -                                       | -                            | 290,942                             | -           | 290,942                         | 290,942                                   |
| Interest                                       | 3,322                           | 4,272                    | 9,346                                  | -                          | 31,751                             | 29,541                        | 21,595  | -                                     | -                                       | 99,827                       | 87,397                              | -           | 87,397                          | 187,224                                   |
| Depreciation and amortization                  | -                               | -                        | 12,032                                 | -                          | -                                  | -                             | 8,345   | -                                     | -                                       | 20,377                       | 334,272                             | 14,248      | 348,520                         | 368,897                                   |
| TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS | 2,083,144                       | 2,713,142                | 7,225,959                              | 359,966                    | 2,806,473                          | 973,242                       | 5,907,557   | 151,007                               | 210,493                                 | 22,430,983                   | 6,284,615                           | 905,941     | 7,190,556                       | 29,621,539                                |
| ALLOCATION OF ELIMINATIONS                     | (151,624)                       | (422,662)                | (20,979)                               | -                          | -                                  | -                             | (16,741)  | -                                     | -                                       | (612,006)                    | (219,458)                           | (60,289)    | (279,747)                       | (891,753)                                 |
| TOTAL EXPENSES                                 | \$ 1,931,520                    | \$ 2,290,480             | \$ 7,204,980                           | \$ 359,966                 | \$ 2,806,473                       | \$ 973,242                    | \$ 5,890,816  | \$ 151,007                            | \$ 210,493                              | \$ 21,818,977                | \$ 6,065,157                        | \$ 845,652  | \$ 6,910,809                    | \$ 28,729,786                             |

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES (Continued)  
FOR THE YEAR ENDED JUNE 30, 2021  
(With Comparative Totals for June 30, 2020)

|  | For the Year Ended June 30, 2021 (Continued) |  |                                     |   |   |              |                               |                               |
|--|--|--|-------------------------------------|---|---|--------------|-------------------------------|-------------------------------|
|  | Osborne Treatment Service, Inc.              |  |                                     |   | Thomas Mott<br>Osborne Memorial<br>Fund, Inc. |              |                               |                               |
|  | Prevention and<br>Treatment Services         | Reducing Reliance on<br>Incarceration - Court<br>Advocacy Services | Management<br>and<br>Administration | Osborne<br>Treatment<br>Services, Inc.<br>Total | Management<br>and<br>Administration           | Eliminations | Consolidated<br>Total<br>2021 | Consolidated<br>Total<br>2020 |
| OPERATING EXPENSES:                            |  |  |                                     |   |   |              |                               |                               |
| Salaries                                       | \$ 1,143,177                                 | \$ 606,647   | \$ -                                | \$ 1,749,824                                    | \$ -  | \$ -         | \$ 18,984,112                 | \$ 16,438,925                 |
| Payroll taxes and employee benefits            | 412,774                                      | 182,236  | -                                   | 595,010   | -   | -            | 4,596,024                     | 4,534,364                     |
| Total Salaries and Related Costs               | 1,555,951                                    | 788,883  | -                                   | 2,344,834                                       | -   | -            | 23,580,136                    | 20,973,289                    |
| Occupancy                                      | 353,068                                      | 112,526  | -                                   | 465,594   | -   | (1,059,569)  | 1,363,201                     | 1,217,084                     |
| Supplies and expensed equipment                | 31,993                                       | 10,782   | -                                   | 42,775  | -   | -            | 1,135,392                     | 991,200                       |
| Professional fees                              | 153,408                                      | -  | -                                   | 153,408   | -   | -            | 1,083,165                     | 668,540                       |
| Professional fees - subcontractors             | -  | 1,762,388  | -                                   | 1,762,388                                       | -   | -            | 3,181,185                     | 3,123,218                     |
| Value of pro-bono legal services               | -  | -  | -                                   | -   | -   | -            | 45,000                        | -                             |
| Direct participant costs                       | 3,617  | -  | -                                   | 3,617   | -   | -            | 367,575                       | 602,963                       |
| Telephone                                      | 18,534                                       | 2,445  | -                                   | 20,979  | -   | -            | 221,078                       | 223,626                       |
| Repairs, maintenance and alterations           | -  | 32   | -                                   | 32  | -   | -            | 205,975                       | 77,977                        |
| Miscellaneous                                  | 85,242                                       | 3,783  | -                                   | 89,025  | 999   | -            | 612,088                       | 497,968                       |
| Insurance                                      | 21,690                                       | 15,210   | -                                   | 36,900  | -   | -            | 625,141                       | 602,760                       |
| Training                                       | 1,050  | 10,000   | -                                   | 11,050  | -   | -            | 48,906                        | 17,411                        |
| Travel   | -  | 32   | -                                   | 32  | -   | -            | 54,729                        | 90,661                        |
| Auto   | -  | -  | -                                   | -   | 56  | -            | 24,458                        | 17,589                        |
| Direct mail and special events                 | -  | -  | -                                   | -   | -   | -            | 3,185                         | 4,298                         |
| Management fees - intercompany                 | -  | -  | 674,388                             | 674,388   | -   | (769,770)    | -                             | -                             |
| Bad debt expense                               | -  | -  | -                                   | -   | -   | -            | 290,942                       | 127,872                       |
| Interest                                       | 4,256  | 10,609   | -                                   | 14,865  | -   | -            | 202,089                       | 312,717                       |
| Depreciation and amortization                  | -  | -  | -                                   | -   | -   | -            | 368,897                       | 325,054                       |
| TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS | 2,228,809                                    | 2,716,690  | 674,388                             | 5,619,887                                       | 1,055   | (1,829,339)  | 33,413,142                    | 29,874,227                    |
| ALLOCATION OF ELIMINATIONS                     | (263,198)                                    | -  | (674,388)                           | (937,586)                                       | -   | 1,829,339    | -                             | -                             |
| TOTAL EXPENSES                                 | \$ 1,965,611                                 | \$ 2,716,690   | \$ -                                | \$ 4,682,301                                    | \$ 1,055                                      | \$ -         | \$ 33,413,142                 | \$ 29,874,227                 |

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2020

For the Year Ended June 30, 2020

The Osborne Association, Inc.

|  | Achieving Economic Independence |              |                            |                | Reducing Reliance on Incarceration |                   | Reconnecting Families<br>and Strengthening<br>Communities | Fulton<br>Community<br>Reentry Center | Osborne<br>Association<br>Policy Center | Total<br>Program<br>Services | Management<br>and<br>Administration | Fundraising | Total<br>Supporting<br>Services | The Osborne<br>Association, Inc.<br>Total |  |
|--|---------------------------------|--------------|----------------------------|----------------|------------------------------------|-------------------|---|---------------------------------------|---|------------------------------|-------------------------------------|-------------|---------------------------------|---|--|
|  | Adopting                        | Workforce    | Janitorial/<br>Maintenance | Fresh<br>Start | Jail - Based                       | Court<br>Advocacy |   |                                       |   |                              |                                     |             |                                 |   |  |
|  | Healthy Lifestyles              | Development  | Services                   | Catering       | Services                           | Services          |   |                                       |   |                              |                                     |             |                                 |   |  |
| OPERATING EXPENSES:                            |                                 |              |                            |                |                                    |                   |   |                                       |   |                              |                                     |             |                                 |   |  |
| Salaries                                       | \$ 621,128                      | \$ 1,122,199 | \$ 3,977,661               | \$ 331,889     | \$ 1,979,928                       | \$ 516,955        | \$ 2,845,713  | \$ 78,958                             | \$ 275,905                              | \$ 11,750,336                | \$ 2,382,815                        | \$ 439,628  | \$ 2,822,443                    | \$ 14,572,779                             |  |
| Payroll taxes and employee benefits            | 254,662                         | 379,257      | 660,484                    | 78,600         | 620,882                            | 161,964           | 859,126   | 23,511                                | 66,679                                  | 3,105,165                    | 712,258                             | 133,465     | 845,723                         | 3,950,888                                 |  |
| Total Salaries and Related Costs               | 875,790                         | 1,501,456    | 4,638,145                  | 410,489        | 2,600,810                          | 678,919           | 3,704,839   | 102,469                               | 342,584                                 | 14,855,501                   | 3,095,073                           | 573,093     | 3,668,166                       | 18,523,667                                |  |
| Occupancy                                      | 41,000                          | 190,569      | 18,042                     | 2,614          | 247,198                            | 57,669            | 563,138   | 5,148                                 | 29,921                                  | 1,155,299                    | 143,873                             | 28,662      | 172,535                         | 1,327,834                                 |  |
| Supplies and expensed equipment                | 35,335                          | 46,195       | 149,534                    | 22,789         | 87,033                             | 34,572            | 176,677   | 251                                   | 12,408                                  | 564,794                      | 321,816                             | 42,884      | 364,700                         | 929,494                                   |  |
| Professional fees                              | 10,082                          | 149,243      | 2,350                      | -              | 5,650                              | 42,367            | 38,357  | -                                     | 11,145                                  | 259,194                      | 252,326                             | 37,453      | 289,779                         | 548,973                                   |  |
| Professional fees - subcontractors             | -                               | 1,043,808    | -                          | -              | 293,666                            | 4,053             | 101,253   | -                                     | -                                       | 1,442,780                    | -                                   | -           | -                               | 1,442,780                                 |  |
| Direct participant costs                       | 21,526                          | 206,034      | -                          | 74,671         | 50,288                             | 260               | 207,638   | -                                     | 3,067                                   | 563,484                      | 250                                 | 606         | 856                             | 564,340                                   |  |
| Telephone                                      | 10,696                          | 37,038       | 30,388                     | 880            | 25,721                             | 8,729             | 49,317  | -                                     | 4,023                                   | 166,792                      | 27,316                              | 8,502       | 35,818                          | 202,610                                   |  |
| Repairs, maintenance and alterations           | -                               | 760          | 1,095                      | 2,366          | 616                                | 1,912             | 14,669  | -                                     | 40                                      | 21,458                       | 154                                 | -           | 154                             | 21,612                                    |  |
| Miscellaneous                                  | 3,864                           | 8,108        | 268,969                    | 13,119         | 12,845                             | 2,730             | 33,563  | 346                                   | 1,726                                   | 345,270                      | 69,224                              | 33,617      | 102,841                         | 448,111                                   |  |
| Insurance                                      | 27,836                          | 83,841       | 174,591                    | 9,281          | 50,307                             | 27,150            | 93,479  | -                                     | -                                       | 466,485                      | 35,253                              | -           | 35,253                          | 501,738                                   |  |
| Training                                       | 3,850                           | 384          | -                          | -              | 320                                | -                 | 4,144   | 40                                    | 175                                     | 8,913                        | 8,071                               | 227         | 8,298                           | 17,211                                    |  |
| Travel   | 6,886                           | 8,097        | 10,046                     | (20)           | 7,779                              | 6,326             | 27,564  | -                                     | 3,988                                   | 70,666                       | 9,967                               | 1,269       | 11,236                          | 81,902                                    |  |
| Auto   | 1,621                           | 155          | 2,273                      | 3,613          | 2,380                              | -                 | 1,123   | -                                     | (41)                                    | 11,124                       | 5,044                               | -           | 5,044                           | 16,168                                    |  |
| Direct mail and special events                 | -                               | -            | -                          | -              | -                                  | -                 | -   | -                                     | -                                       | -                            | -                                   | 4,298       | 4,298                           | 4,298                                     |  |
| Management fees - intercompany                 | -                               | -            | -                          | -              | -                                  | -                 | -   | -                                     | -                                       | -                            | -                                   | -           | -                               | -   |  |
| Security and maintenance - intercompany        | 100,027                         | 45,153       | -                          | 59,007         | 47,960                             | -                 | -   | -                                     | -                                       | 252,147                      | 42,974                              | 20,628      | 63,602                          | 315,749                                   |  |
| Bad debt expense                               | -                               | -            | -                          | -              | -                                  | -                 | -   | -                                     | -                                       | -                            | -                                   | -           | -                               | -   |  |
| Interest                                       | 1,488                           | 27,110       | 31,875                     | 3,968          | 8,349                              | 5,983             | 44,347  | 401                                   | 108                                     | 123,629                      | 80                                  | -           | 80                              | 123,709                                   |  |
| Depreciation and amortization                  | -                               | -            | 12,032                     | -              | -                                  | -                 | 5,557   | -                                     | -                                       | 17,589                       | 61,405                              | 13,020      | 74,425                          | 92,014                                    |  |
| TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS | 1,140,001                       | 3,347,951    | 5,339,340                  | 602,777        | 3,440,922                          | 870,670           | 5,065,665   | 108,655                               | 409,144                                 | 20,325,125                   | 4,072,826                           | 764,259     | 4,837,085                       | 25,162,210                                |  |
| ALLOCATION OF ELIMINATIONS                     | (167,942)                       | (234,471)    | (9,397)                    | (59,007)       | (47,960)                           | -                 | (7,499)   | -                                     | -                                       | (526,276)                    | (98,550)                            | (47,633)    | (146,183)                       | (672,459)                                 |  |
| TOTAL EXPENSES                                 | \$ 972,059                      | \$ 3,113,480 | \$ 5,329,943               | \$ 543,770     | \$ 3,392,962                       | \$ 870,670        | \$ 5,058,166  | \$ 108,655                            | \$ 409,144                              | \$ 19,798,849                | \$ 3,974,276                        | \$ 716,626  | \$ 4,690,902                    | \$ 24,489,751                             |  |

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES (Continued)  
FOR THE YEAR ENDED JUNE 30, 2020

|  | For the Year Ended June 30, 2020 (Continued) |  |                                     |   |   |              |                               |
|--|--|--|-------------------------------------|---|---|--------------|-------------------------------|
|  | Osborne Treatment Service, Inc.              |  |                                     |   | Thomas Mott<br>Osborne Memorial<br>Fund, Inc. |              |                               |
|  | Prevention and<br>Treatment Services         | Reducing Reliance on<br>Incarceration - Court<br>Advocacy Services | Management<br>and<br>Administration | Osborne<br>Treatment<br>Services, Inc.<br>Total | Management<br>and<br>Administration           | Eliminations | Consolidated<br>Total<br>2020 |
| OPERATING EXPENSES:                            |  |  |                                     |   |   |              |                               |
| Salaries                                       | \$ 1,169,755                                 | \$ 696,391   | \$ -                                | \$ 1,866,146                                    | \$ -  | \$ -         | \$ 16,438,925                 |
| Payroll taxes and employee benefits            | 375,247                                      | 208,229  | -                                   | 583,476   | -   | -            | 4,534,364                     |
| Total Salaries and Related Costs               | 1,545,002                                    | 904,620  | -                                   | 2,449,622                                       | -   | -            | 20,973,289                    |
| Occupancy                                      | 148,184                                      | 119,705  | -                                   | 267,889   | 95,961  | (474,600)    | 1,217,084                     |
| Supplies and expensed equipment                | 40,743                                       | 18,966   | -                                   | 59,709  | 1,997   | -            | 991,200                       |
| Professional fees                              | 113,800                                      | 5,417  | -                                   | 119,217   | 350   | -            | 668,540                       |
| Professional fees - subcontractors             | -  | 1,680,438  | -                                   | 1,680,438                                       | -   | -            | 3,123,218                     |
| Direct participant costs                       | 37,632                                       | 991  | -                                   | 38,623  | -   | -            | 602,963                       |
| Telephone                                      | 16,697                                       | 4,319  | -                                   | 21,016  | -   | -            | 223,626                       |
| Repairs, maintenance and alterations           | -  | 175  | -                                   | 175   | 56,190  | -            | 77,977                        |
| Miscellaneous                                  | 33,695                                       | 5,412  | -                                   | 39,107  | 10,750  | -            | 497,968                       |
| Insurance                                      | 33,590                                       | 24,447   | -                                   | 58,037  | 42,985  | -            | 602,760                       |
| Training                                       | -  | 200  | -                                   | 200   | -   | -            | 17,411                        |
| Travel   | 4,623  | 4,136  | -                                   | 8,759   | -   | -            | 90,661                        |
| Auto   | 1,421  | -  | -                                   | 1,421   | -   | -            | 17,589                        |
| Direct mail and special events                 | -  | -  | -                                   | -   | -   | -            | 4,298                         |
| Management fees - intercompany                 | -  | -  | 760,949                             | 760,949   | 10,370  | (771,319)    | -                             |
| Security and maintenance - intercompany        | 128,453                                      | -  | -                                   | 128,453   | -   | (444,202)    | -                             |
| Bad debt expense                               | -  | -  | 127,872                             | 127,872   | -   | -            | 127,872                       |
| Interest                                       | 14,117                                       | 51,098   | -                                   | 65,215  | 123,793                                       | -            | 312,717                       |
| Depreciation and amortization                  | -  | -  | -                                   | -   | 233,040                                       | -            | 325,054                       |
| TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS | 2,117,957                                    | 2,819,924  | 888,821                             | 5,826,702                                       | 575,436                                       | (1,690,121)  | 29,874,227                    |
| ALLOCATION OF ELIMINATIONS                     | (246,343)                                    | -  | (760,949)                           | (1,007,292)                                     | (10,370)                                      | 1,690,121    | -                             |
| TOTAL EXPENSES                                 | \$ 1,871,614                                 | \$ 2,819,924   | \$ 127,872                          | \$ 4,819,410                                    | \$ 565,066                                    | \$ -         | \$ 29,874,227                 |