



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

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

**YEARS ENDED JUNE 30, 2022 AND 2021**

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

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

**YEARS ENDED JUNE 30, 2022 AND 2021**

**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

### Report on the Audit of the Financial Statements

#### **Opinion**

We have audited the consolidated financial statements of The Osborne Association, Inc. and Affiliates (collectively, the "Association"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of The Osborne Association, Inc. and Affiliates as of June 30, 2022, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

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

#### **Report on 2021 Financial Statements**

The financial statements of the Association as of and for the year ended June 30, 2021 were audited by another auditor whose report dated February 22, 2022 expressed an unmodified opinion on those financial statements.

#### **Responsibilities of Management for the Consolidated Financial Statements**

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

#### **Mayer Hoffman McCann CPAs**

The New York Practice of Mayer Hoffman P.C.  
An Independent CPA Firm  
685 Third Avenue  
New York, NY 10017

Phone: 212.503.8800  
Fax: 212.370.3759  
[mhmcpcpa.com](http://mhmcpcpa.com)

A member of Kreston Global – a global network of accounting firms



### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Association's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of the Association as a whole. The consolidating information as of and for the year ended June 30, 2022 (shown on pages 23-26) 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 organizations 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 audit 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 GAAS. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole. The consolidating information on pages 23 through 26 as of and for the year ended June 30, 2021 and the consolidating statement of functional expenses on pages 27 and 28 for the year ended June 30, 2021, were subjected to the auditing procedures applied in the 2021 audit of the consolidated financial statements by another auditor, whose report on such information stated that it was fairly stated in all material respects in relation to the 2021 financial statements as a whole.

*Mayer Hoffman McCann CPAs*

New York, NY  
March 10, 2023

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
**AS OF JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash (Notes 2E, 3 and 16)	\$ 1,175,073	\$ 2,229,614
Restricted cash (Notes 2E, 15 and 16)	2,551,260	9,636,141
Government grants and other receivables, net (Notes 2D and 3)	20,479,780	17,410,423
Contributions receivable, net (Notes 2C, 2D, 3 and 5)	525,946	982,449
Investments (Notes 2F, 3 and 6)	1,002,110	1,145,775
Prepaid expenses and other assets	555,909	442,153
Advances paid to subcontractors	259,322	1,034,080
Property and equipment, net (Notes 2G and 4)	34,921,962	18,667,951
Security deposits	170,509	170,509
Beneficial interest in perpetual trust (Notes 3, 6, 7 and 13)	<u>236,204</u>	<u>283,427</u>
<b>TOTAL ASSETS</b>	<u>\$ 61,878,075</u>	<u>\$ 52,002,522</u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 6,563,615	\$ 5,121,256
Accrued salary and vacation	821,253	708,187
Deferred rent (Note 2J)	377,171	487,529
Deferred revenue/refundable advances (Notes 2H and 8)	190,000	194,044
Notes and loans payable (Note 9)	6,182,353	6,636,297
Construction loans payable (Note 9)	19,268,700	14,941,000
Mortgage payable (Note 10)	<u>2,540,160</u>	<u>2,735,211</u>
<b>TOTAL LIABILITIES</b>	<u>35,943,252</u>	<u>30,823,524</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)	1,866,130	1,100,000
Board Designated - Fulton Reserve (Note 14)	890,873	890,873
Available for operations	<u>7,052,623</u>	<u>7,078,719</u>
Total net assets without donor restrictions	9,809,626	9,069,592
With donor restrictions (Notes 3, 7 and 13)	<u>16,125,197</u>	<u>12,109,406</u>
<b>TOTAL NET ASSETS</b>	<u>25,934,823</u>	<u>21,178,998</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 61,878,075</u>	<u>\$ 52,002,522</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, 2022 AND 2021**

	For the Year Ended June 30, 2022				For the Year Ended June 30, 2021			
	Without Donor Restrictions				Without Donor Restrictions			
	Available for Operations	Board Designated	With Donor Restrictions	Total 2022	Available for Operations	Board Designated	With Donor Restrictions	Total 2021
<b>OPERATING SUPPORT AND REVENUE:</b>								
<b>Public Support:</b>								
Financial contributions and grants (Note 2C)	\$ 1,614,788	\$ -	\$ 2,281,866	\$ 3,896,654	\$ 951,588	\$ -	\$ 3,209,216	\$ 4,160,804
Nonfinancial contributions (Note 2K)	147,924	-	-	147,924	45,000	-	-	45,000
Net assets released from restrictions (Notes 2B and 13)	2,176,596	-	(2,176,596)	-	1,564,243	-	(1,564,243)	-
<b>Total Public Support</b>	<u>3,939,308</u>	<u>-</u>	<u>105,270</u>	<u>4,044,578</u>	<u>2,560,831</u>	<u>-</u>	<u>1,644,973</u>	<u>4,205,804</u>
<b>Fee for Service:</b>								
Medicaid	953,884	-	-	953,884	1,302,752	-	-	1,302,752
Janitorial	7,355,685	-	-	7,355,685	8,293,947	-	-	8,293,947
Catering	-	-	-	-	3,652	-	-	3,652
<b>Total Fee for Service (Note 2H)</b>	<u>8,309,569</u>	<u>-</u>	<u>-</u>	<u>8,309,569</u>	<u>9,600,351</u>	<u>-</u>	<u>-</u>	<u>9,600,351</u>
<b>Governmental Support:</b>								
New York State	2,686,751	-	3,744,088	6,430,839	3,050,716	-	1,518,157	4,568,873
New York City	21,511,312	-	213,656	21,724,968	16,779,051	-	-	16,779,051
Federal-direct and indirect	2,101,626	-	-	2,101,626	2,533,592	-	-	2,533,592
<b>Total Governmental Support (Note 2H)</b>	<u>26,299,689</u>	<u>-</u>	<u>3,957,744</u>	<u>30,257,433</u>	<u>22,363,359</u>	<u>-</u>	<u>1,518,157</u>	<u>23,881,516</u>
Transfer to Board Designated - Reserve Fund (Note 14)	(766,130)	766,130	-	-	(1,100,000)	1,100,000	-	-
<b>TOTAL OPERATING SUPPORT AND REVENUE</b>	<u>37,782,436</u>	<u>766,130</u>	<u>4,063,014</u>	<u>42,611,580</u>	<u>33,424,541</u>	<u>1,100,000</u>	<u>3,163,130</u>	<u>37,687,671</u>
<b>OPERATING EXPENSES:</b>								
<b>Program Services:</b>								
Adopting healthy lifestyles	3,900,305	-	-	3,900,305	3,897,131	-	-	3,897,131
Achieving economic independence:								
Workforce development	3,184,512	-	-	3,184,512	2,290,480	-	-	2,290,480
Janitorial/maintenance services	7,303,102	-	-	7,303,102	7,204,980	-	-	7,204,980
Fresh start catering	188,449	-	-	188,449	359,966	-	-	359,966
Reducing reliance on incarceration:								
Jail-based services	1,337,911	-	-	1,337,911	2,806,473	-	-	2,806,473
Court advocacy services	4,889,599	-	-	4,889,599	3,689,932	-	-	3,689,932
ATI 212 Program 52	175,325	-	-	175,325	-	-	-	-
Reconnecting families and strengthening communities	8,243,915	-	-	8,243,915	5,890,816	-	-	5,890,816
Fulton community reentry center	237,119	-	-	237,119	151,007	-	-	151,007
Osborne Association policy center	472,242	-	-	472,242	210,493	-	-	210,493
<b>Total Program Services Expenses</b>	<u>29,932,479</u>	<u>-</u>	<u>-</u>	<u>29,932,479</u>	<u>26,501,278</u>	<u>-</u>	<u>-</u>	<u>26,501,278</u>
<b>Supporting Services:</b>								
Management and administration	6,353,420	-	-	6,353,420	6,066,212	-	-	6,066,212
Fundraising	1,411,411	-	-	1,411,411	845,652	-	-	845,652
<b>Total Supporting Services Expenses</b>	<u>7,764,831</u>	<u>-</u>	<u>-</u>	<u>7,764,831</u>	<u>6,911,864</u>	<u>-</u>	<u>-</u>	<u>6,911,864</u>
<b>TOTAL OPERATING EXPENSES (Note 2I)</b>	<u>37,697,310</u>	<u>-</u>	<u>-</u>	<u>37,697,310</u>	<u>33,413,142</u>	<u>-</u>	<u>-</u>	<u>33,413,142</u>
<b>OPERATING INCOME</b>	<u>85,126</u>	<u>766,130</u>	<u>4,063,014</u>	<u>4,914,270</u>	<u>11,399</u>	<u>1,100,000</u>	<u>3,163,130</u>	<u>4,274,529</u>
<b>NONOPERATING ACTIVITIES:</b>								
Interest and dividends	8,677	-	-	8,677	5,896	-	-	5,896
Realized gain on investments	36,370	-	-	36,370	-	-	-	-
Unrealized (loss) gain in market value of investments	(175,191)	-	-	(175,191)	327,956	-	-	327,956
(Loss) Gain on beneficial interest in perpetual trust	-	-	(47,223)	(47,223)	-	-	57,957	57,957
Miscellaneous income (Note 14)	-	-	-	-	890,873	-	-	890,873
Other income	18,922	-	-	18,922	138,865	-	-	138,865
<b>NONOPERATING (LOSS) INCOME</b>	<u>(111,222)</u>	<u>-</u>	<u>(47,223)</u>	<u>(158,445)</u>	<u>1,363,590</u>	<u>-</u>	<u>57,957</u>	<u>1,421,547</u>
<b>Transfer to Board Designated - Fulton Reserve (Note 14)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(890,873)</u>	<u>890,873</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET ASSETS</b>	<u>(26,096)</u>	<u>766,130</u>	<u>4,015,791</u>	<u>4,755,825</u>	<u>484,116</u>	<u>1,990,873</u>	<u>3,221,087</u>	<u>5,696,076</u>
<b>NET ASSETS - BEGINNING 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>-</u>	<u>8,888,319</u>	<u>15,482,922</u>
<b>NET ASSETS- END OF YEAR</b>	<u>\$ 7,052,623</u>	<u>\$ 2,757,003</u>	<u>\$ 16,125,197</u>	<u>\$ 25,934,823</u>	<u>\$ 7,078,719</u>	<u>\$ 1,990,873</u>	<u>\$ 12,109,406</u>	<u>\$ 21,178,998</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, 2022  
(With Comparative Totals for June 30, 2021)

For The Year Ended June 30, 2022																		
Program Services												Supporting Services						
	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		Fundraising	Total Supporting Services	Eliminations	Total 2022	Total 2021
	Adopting Healthy Lifestyles	Workforce Development	Janitorial/ Maintenance Services	Fresh Start Catering	Jail-Based Services	Court Advocacy Services	ATI 212 Program 52											
OPERATING EXPENSES:																		
Salaries	\$ 2,214,266	\$ 1,526,190	\$ 5,350,788	\$ 126,612	\$ 840,132	\$ 1,319,373	\$ 136,498	\$ 3,808,095	\$ 140,922	\$ 310,366	\$ 15,773,242	\$ 3,331,120	\$ 841,285	\$ 4,172,405	\$ -	\$ -	\$ 19,945,647	\$ 18,984,112
Payroll taxes and employee benefits (Note 12)	599,552	493,392	951,642	38,013	236,711	418,045	28,170	1,067,838	36,013	81,843	3,951,219	984,099	222,943	1,207,042	-	-	5,158,261	4,596,024
Total Salaries and Related Costs	2,813,818	2,019,582	6,302,430	164,625	1,076,843	1,737,418	164,668	4,875,933	176,935	392,209	19,724,461	4,315,219	1,064,228	5,379,447	-	-	25,103,908	23,580,136
Occupancy (Note 11B)	599,676	335,804	45,828	8,000	133,026	302,545	-	716,067	1,568	29,709	2,172,223	309,569	42,865	352,434	(1,111,581)	-	1,413,076	1,363,201
Supplies and expensed equipment (Note 2G)	44,938	69,790	116,230	3,275	32,742	26,436	884	836,025	356	8,807	1,139,483	530,302	65,916	596,218	-	-	1,735,701	1,135,392
Professional fees	103,891	-	14,397	-	-	36,494	-	172,996	-	23,850	351,628	450,013	40,880	490,893	-	-	842,521	1,083,165
Professional fees - subcontractors	448,875	944,364	21,527	-	-	2,539,401	-	861,077	3,587	-	4,818,831	-	212	212	-	-	4,819,043	3,226,185
Direct participant costs	6,216	134,507	27,341	-	10,353	138,448	6,050	468,340	-	5,016	796,271	2,481	435	2,916	-	-	799,187	367,575
Telephone	37,991	31,523	21,981	457	10,812	10,332	865	65,168	7,414	3,271	189,814	22,371	8,444	30,815	-	-	220,629	221,078
Repairs, maintenance and alterations	-	2,952	91	-	450	-	-	27,558	-	-	31,051	57,746	-	57,746	-	-	88,797	205,975
Miscellaneous	34,817	10,883	304,697	4,866	7,255	10,129	50	47,011	4,884	3,205	427,797	172,508	42,005	214,513	-	-	642,310	612,088
Insurance	53,112	63,754	318,140	5,992	43,904	60,450	-	112,266	42,323	-	699,941	81,371	-	81,371	-	-	781,312	625,141
Training	9,806	4,025	8,598	-	10,478	3,402	1,722	29,836	-	3,200	71,067	(478)	-	(478)	-	-	70,589	48,906
Travel	29,400	3,039	7,576	1,234	239	3,296	1,086	17,929	-	2,533	66,332	19,654	1,521	21,175	-	-	87,507	54,729
Auto	-	242	1,741	-	3,505	-	-	1,929	-	-	7,417	15,449	-	15,449	-	-	22,866	24,458
Direct mail and special events	-	-	-	-	-	-	-	690	-	-	690	-	94,605	94,605	-	-	95,295	3,185
Management fees - intercompany	-	-	-	-	-	-	-	-	-	-	-	794,030	-	794,030	(794,030)	-	-	-
Bad debt expense	148,596	-	117,708	-	-	-	-	-	-	-	266,304	-	101,756	101,756	-	-	368,060	290,942
Interest	4,353	7,457	4,794	-	8,304	21,248	-	20,308	52	442	66,958	123,014	-	123,014	-	-	189,972	202,089
Depreciation and amortization (Note 4)	-	-	12,032	-	-	-	-	8,345	-	-	20,377	384,367	11,793	396,160	-	-	416,537	368,897
TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS	4,335,489	3,627,922	7,325,111	188,449	1,337,911	4,889,599	175,325	8,261,478	237,119	472,242	30,850,645	7,277,616	1,474,660	8,752,276	(1,905,611)	-	37,697,310	33,413,142
ALLOCATION OF ELIMINATIONS	(435,184)	(443,410)	(22,009)	-	-	-	-	(17,563)	-	-	(918,166)	(924,196)	(63,249)	(987,445)	1,905,611	-	-	-
TOTAL EXPENSES	\$ 3,900,305	\$ 3,184,512	\$ 7,303,102	\$ 188,449	\$ 1,337,911	\$ 4,889,599	\$ 175,325	\$ 8,243,915	\$ 237,119	\$ 472,242	\$ 29,932,479	\$ 6,353,420	\$ 1,411,411	\$ 7,764,831	\$ -	\$ -	\$ 37,697,310	\$ 33,413,142

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2021

For The Year Ended June 30, 2021																
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 2021		
	Workforce Development	Janitorial/ Maintenance Services	Fresh Start Catering	Jail-Based Services	Court Advocacy Services					Fundraising						
\$ 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		
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		
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		
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		
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		
178,783	107,908	-	706	-	10,000	107,145	-	4,250	408,792	266,691	407,682	674,373	-	1,083,165		
452,551	621,104	-	-	11,473	1,770,162	325,895	-	-	3,181,185	45,000	-	45,000	-	3,226,185		
13,643	117,792	-	-	28,525	-	203,703	-	2,825	366,488	987	100	1,087	-	367,575		
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		
9,310	562	200	9,148	625	69	58,049	-	-	77,963	128,012	-	128,012	-	205,975		
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		
38,417	43,730	255,354	6,067	74,147	40,793	79,876	-	-	538,384	86,757	-	86,757	-	625,141		
13,443	509	-	-	9,760	10,070	5,266	-	215	39,263	8,785	858	9,643	-	48,906		
19,156	663	7,410	290	2,581	123	12,388	36	-	42,647	12,082	-	12,082	-	54,729		
1,646	-	8,541	66	3,972	-	8,343	-	-	22,568	1,890	-	1,890	-	24,458		
-	-	-	-	-	-	-	-	-	-	-	3,185	3,185	-	3,185		
-	-	-	-	-	-	-	-	-	-	769,770	-	769,770	(769,770)	-		
-	-	-	-	-	-	-	-	-	-	290,942	-	290,942	-	290,942		
7,578	4,272	9,346	-	31,751	40,150	21,595	-	-	114,692	87,397	-	87,397	-	202,089		
-	-	12,032	-	-	-	8,345	-	-	20,377	334,272	14,248	348,520	-	368,897		
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		
(414,822)	(422,662)	(20,979)	-	-	-	(16,741)	-	-	(875,204)	(893,846)	(60,289)	(954,135)	1,829,339	-		
\$ 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		



**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 4,755,825	\$ 5,696,076
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Loss/(Gain) on beneficial interest in perpetual trust	47,223	(57,957)
Unrealized losses (gains) on investments	175,191	(327,956)
Donated securities	(31,526)	(25,587)
Bad debt	368,060	290,942
Deferred rent	(110,358)	420,928
Depreciation and amortization	<u>416,537</u>	<u>368,897</u>
Subtotal	5,620,952	6,365,343
Changes in operating assets and liabilities:		
(Increase) decrease in assets:		
Government grants and other receivables	(3,069,357)	790,809
Contributions receivable	88,443	(555,668)
Prepaid expenses and other assets	(113,756)	(159,080)
Advances paid to subcontractors	774,758	(367,552)
Security deposits	-	(563)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,442,359	(409,252)
Accrued salary and vacation	113,066	114,250
Deferred revenue/refundable advances	<u>(4,044)</u>	<u>(36,977)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>4,852,421</u>	<u>5,741,310</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	<u>(16,670,548)</u>	<u>(7,983,775)</u>
<b>Net Cash Used in Investing Activities</b>	<u>(16,670,548)</u>	<u>(7,983,775)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from notes and loans and construction loans payable	6,028,747	17,088,118
Principal payments of notes and loans and construction loans payable	(2,154,991)	(5,279,536)
Principal payments of mortgage payable	<u>(195,051)</u>	<u>(187,454)</u>
<b>Net Cash Provided by Financing Activities</b>	<u>3,678,705</u>	<u>11,621,128</u>
<b>NET (DECREASE) INCREASE IN CASH AND RESTRICTED CASH</b>	(8,139,422)	9,378,663
Cash and restricted cash - beginning of the year	<u>11,865,755</u>	<u>2,487,092</u>
<b>CASH AND RESTRICTED CASH - END OF YEAR</b>	<u>\$ 3,726,333</u>	<u>\$ 11,865,755</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for interest, net of capitalized interest	<u>\$ 189,972</u>	<u>\$ 202,089</u>

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**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, 2022 AND 2021**

**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, 2022 AND 2021**

**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, which 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 videoconferencing), 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, 2022 AND 2021

**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, 2022 and 2021, the Association has determined that an allowance of \$146,971 and \$45,215, for uncollectible 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, 2022 AND 2021**

**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, 2022 or 2021. The following table provides a reconciliation of cash and restricted cash reported within the consolidated statements of financial position to the sum of the corresponding amounts within the consolidated statements of cash flows as of June 30:

	<u>2022</u>	<u>2021</u>
Cash	\$ 1,175,073	\$ 2,229,614
Restricted cash	<u>2,551,260</u>	<u>9,636,141</u>
Subtotal	<u>\$ 3,726,333</u>	<u>\$ 11,865,755</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 approximately \$12,583,000 and \$13,431,000, respectively, that have not been recognized as of June 30, 2022 and 2021 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, 2022 AND 2021**

**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 higher 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. **Nonfinancial assets** – is recorded at fair market value on the date of donation and includes contributed services, contributed items, and any nonfinancial asset that is contributed to the Association that does not meet the definition of a financial asset. Contributed services that amounted to \$147,924 and \$45,000 for the years ended June 30, 2022 and 2021, respectively, were for legal services. The services were not restricted by the provider and were used by the Association’s general administration. The legal services were valued using the attorney’s comparable rate for similar services. These amounts have been reflected in the accompanying consolidated financial statements as nonfinancial contributions.
- 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 adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (“Gifts-in-Kind”)* for the year ended June 30, 2022. ASU 2020-07 increases transparency around contributed nonfinancial assets received by not-for-profit organizations. New disclosures require information about how nonfinancial assets are used and how they are valued. The amendments did not change existing recognition and measurement requirements and was required to be adopted retrospectively for all periods presented. Additional disclosures have been added to the financial statements at Note 2K.

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**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>2022</u>	<u>2021</u>
Cash	\$ 1,175,073	\$ 2,229,614
Government grants and other receivables, net	20,479,780	17,410,423
Contributions receivable, net	525,946	982,449
Investments	<u>1,002,110</u>	<u>1,145,775</u>
 Total	 23,182,909	 21,768,261
 Less: items unavailable for general expenditures within one year		
Net assets with donor restrictions, net of contributed property and beneficial interest in perpetual trust	(10,888,993)	(6,825,979)
Reserve fund	<u>(1,866,130)</u>	<u>(1,100,000)</u>
 Total	 <u>\$ 10,427,786</u>	 <u>\$ 13,842,282</u>

Net assets with donor restrictions includes contributed land and a 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 amounts of \$236,204 and \$283,427 as of June 30, 2022 and 2021, 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, 2022, the Association has drawn down \$1,700,000 of the line of credit (see Note 9).



**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 4—PROPERTY AND EQUIPMENT**

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

	<u>2022</u>	<u>2021</u>	<u>Estimated Useful Lives</u>
Land	\$ 1,414,417	\$ 1,414,417	
Building	7,167,050	7,165,050	20 Years
Leasehold improvements	1,080,678	1,031,472	15 Years
Vehicles	280,434	280,434	3 Years
Furniture and equipment	1,049,647	957,506	7 Years
Construction in progress (see below)	<u>27,798,296</u>	<u>11,271,095</u>	
Total cost	38,790,522	22,119,974	
Less: accumulated depreciation and amortization	<u>(3,868,560)</u>	<u>(3,452,023)</u>	
Net book value	<u>\$ 34,921,962</u>	<u>\$ 18,667,951</u>	

Depreciation and amortization expense for the years ended June 30, 2022 and 2021 amounted to \$416,537 and \$368,897, respectively.

Construction in progress includes renovations to the Fulton building. The Association incurred costs of \$16,527,201 and \$7,650,221 for the fiscal years ended June 30, 2022 and 2021, respectively. The construction is expected to be completed in April 2023 and the estimated cost to complete is approximately \$25.5 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>2022</u>	<u>2021</u>
Due in less than one year	\$ 156,940	\$ 895,576
Due in one to five years	<u>515,977</u>	<u>132,088</u>
Subtotal	672,917	1,027,664
Less: allowance for uncollectible receivables	<u>(146,971)</u>	<u>(45,215)</u>
	<u>\$ 525,946</u>	<u>\$ 982,449</u>

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

Investments consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Money market funds	\$ 42,545	\$ 26,961
Exchange-traded funds	868,230	1,039,789
Mutual funds	8,528	9,546
Corporate stocks	<u>82,807</u>	<u>69,479</u>
	<u>\$ 1,002,110</u>	<u>\$ 1,145,775</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, 2022 AND 2021**

**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 (Level 3).

The following table presents the Association’s assets that are measured at fair value for each level at June 30, 2022:

	<u>Level 1</u>	<u>Level 3</u>	<u>Total</u>
Money market funds	\$ 42,545	\$ -	\$ 42,545
Exchange-traded funds	868,230	-	868,230
Mutual funds	8,528	-	8,528
Corporate stocks	82,807	-	82,807
Beneficial interest in perpetual trust	<u>-</u>	<u>236,204</u>	<u>236,204</u>
Assets at Fair Value	<u>\$ 1,002,110</u>	<u>\$ 236,204</u>	<u>\$ 1,238,314</u>

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 OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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

The reconciliation for the years ended June 30, 2022 and 2021, of the beneficial interest in perpetual trust measured at estimated fair value classified in Level 3 is as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 283,427	\$ 225,470
Unrealized (loss) gain	<u>(47,223)</u>	<u>57,957</u>
Balance, end of year	<u>\$ 236,204</u>	<u>\$ 283,427</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>2022</u>	<u>2021</u>
Money market funds	\$ 2,260	\$ 6,355
Mutual funds	<u>233,944</u>	<u>277,072</u>
	<u>\$ 236,204</u>	<u>\$ 283,427</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, 2022 and 2021, 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, 2022 AND 2021**

**NOTE 9—NOTES AND LOANS PAYABLE**

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

	<u>2022</u>	<u>2021</u>	<u>Annual Interest Rate</u>	<u>Due Date</u>
A line of credit from a bank totaling \$5,000,000. Expiring in March 2023. Secured by all assets of OA. As of March 10, 2023, the outstanding borrowings on the line of credit amounted to \$3,810,119.	\$ 1,700,000	\$ -	360-day Adjusted LIBOR, plus 3%	2023
In April 2020, the Association obtained a Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loan from a bank. See Note 11D for more information.	3,630,726	3,630,726	1%	2026
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	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%	2023
To a financing company. Secured by the related vehicle under a retail installment contract with monthly payments of \$573.	<u>1,627</u>	<u>8,453</u>	2.90%	2023
	<u>\$ 6,182,353</u>	<u>\$ 6,636,297</u>		

Future annual principal payments for each of the fiscal years ended after June 30, 2022 are as follows:

2023	\$ 5,821,529
2024	140,683
2025	158,526
2026	43,623
2027	<u>17,992</u>
	<u>\$ 6,182,353</u>

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

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

In July 2020, the Association obtained a building loan for the Fulton Project from Wells Fargo Trust Company, National Association. The building loan has an original available principal amount up to \$14,485,205 and bears interest at 3.85%. During 2022, an additional available principal amount of \$5,509,639 was made available from the lender and bears interest at 6.75%. 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 \$14,471,025 and \$12,576,168 as of June 30, 2022 and 2021, respectively. The Association capitalized interest costs of \$561,093 and \$277,035 during the years ended June 30, 2022 and 2021, respectively.

In July 2020, the Association obtained a building loan for the Fulton Project from Wells Fargo Trust Company, National Association. The building loan has as original available principal amount up to \$4,782,542 and bears interest at 3.85%. During 2022, an additional available principal amount of \$3,406,135 was made available from the lender and bears interest at 6.75%. 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 \$4,797,675 and \$2,364,832 as of June 30, 2022 and 2021, respectively. The Association capitalized interest costs of \$92,172 and \$47,344 during the years ended June 30, 2022 and 2021, respectively.

**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 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, 2022 and 2021.

Future annual principal payments for each of the fiscal years ended after June 30, 2022 are as follows:

2023	\$	205,281
2024		231,985
2025		223,059
2026		232,517
2027		242,377
Thereafter		<u>1,404,941</u>
	\$	<u>2,540,160</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, 2022 AND 2021**

**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, 2022 are approximately as follows:

2023	\$ 1,350,000
2024	1,388,000
2025	1,419,000
2026	1,488,000
2027	1,531,000
Thereafter	<u>5,541,000</u>
	<u>\$ 12,717,000</u>

Rent expense for the years ended June 30, 2022 and 2021 amounted to \$881,255 and \$1,015,781, 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, 2022 and 2021, 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 received loan proceeds of \$3,195,268 for which the application for forgiveness is currently being drafted. The Association does not currently owe any principal and interest payments related to this loan. Osborne Treatment Services received loan proceeds of \$435,458 for which the application is currently being drafted. The lender for the Osborne Treatment Services PPP loan requires monthly payments of \$16,051 which began in December 2022, and bears interest at a rate of 1%. After June 30, 2022, the Osborne Treatment Services PPP loan was transferred to another agency for servicing. Costs associated with the loan servicing agency totaled \$131,643 and interest of \$3,364 and were incurred in fiscal year 2023, and as such are not reflected on the June 30, 2022 consolidated financial statements. Management of the Association has confirmed with the SBA that both loans still qualify for forgiveness upon an approved application and expect forgiveness to be granted.

**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.

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.

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 12—PENSION PLANS (Continued)**

Employer contributions amounted to \$573,453 and \$554,355 for the years ended June 30, 2022 and 2021, 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>2022</u>	<u>2021</u>
Donated property – Fulton	\$ 4,250,000	\$ 4,250,000
Capital grants for redevelopment of Fulton	7,189,859	3,104,521
Programmatic services	3,699,134	3,721,458
Donated property (land – Fulton)	750,000	750,000
Beneficial interest in perpetual trust	<u>236,204</u>	<u>283,427</u>
	<u>\$ 16,125,197</u>	<u>\$ 12,109,406</u>

Net assets were released from donor restrictions during the years ended June 30, 2022 and 2021 by incurring expenses satisfying the restricted purpose or occurrence specified by the donors and amounted to \$2,176,596 and \$1,564,243, respectively.

**NOTE 14 – BOARD DESIGNATED FUNDS**

Changes in Board Designated net assets are as follows for June 30:

	<u>7/1/2021</u>			<u>6/30/2022</u>
	<u>Balance</u>	<u>Additions</u>	<u>Withdrawals</u>	<u>Balance</u>
The Osborne Association, Inc. Reserve Fund	\$ 1,100,000	\$ 766,130	\$ -	\$ 1,866,130
Fulton Contingency Reserve Fund	<u>890,873</u>	<u>-</u>	<u>-</u>	<u>890,873</u>
Total	<u>\$ 1,990,873</u>	<u>\$ 766,130</u>	<u>\$ -</u>	<u>\$ 2,757,003</u>

Changes in Board Designated net assets are as follows for June 30:

	<u>7/1/2020</u>			<u>6/30/2021</u>
	<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 thereof. The Finance committee had reserved \$766,130 and \$1,100,000 for the years ended June 30, 2022 and 2021, respectively.

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**JUNE 30, 2022 AND 2021**

**NOTE 14 – BOARD DESIGNATED FUNDS (CONTINUED)**

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.

**NOTE 15 – RESTRICTED CASH**

Restricted cash consisted of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Wells Fargo Fulton Cash Management Account	\$ 1,275	\$ 1,275
TIAA Fulton Project Loan Construction Account	2,009,709	3,614,469
TIAA Fulton Building Loan Construction Account	<u>540,276</u>	<u>6,020,397</u>
Total	<u>\$ 2,551,260</u>	<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.

**NOTE 16—CONCENTRATIONS**

Cash that potentially subjects the Association to a concentration of credit risk includes 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, 2022 and 2021, cash held in two banks exceeded FDIC limits by approximately \$2,800,000 and \$11,500,000, respectively.

**NOTE 17—SUBSEQUENT EVENTS**

The Association has evaluated events subsequent to the date of the consolidated statement of financial position through March 10, 2023 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, 2022**  
**(With Comparative Totals for June 30, 2021)**

As of June 30, 2022						
	The Osborne Association, Inc.	Osborne Treatment Services, Inc.	Thomas Mott Osborne Memorial Fund, Inc.	Consolidating Eliminations	Consolidated Total 2022	Consolidated Total 2021
<b>ASSETS</b>						
Cash	\$ 839,682	\$ 69,339	\$ 266,052	\$ -	\$ 1,175,073	\$ 2,229,614
Restricted cash	-	-	2,551,260	-	2,551,260	9,636,141
Government grants and other receivables	13,122,028	7,026,614	331,138	-	20,479,780	17,410,423
Contributions receivable, net	525,946	-	-	-	525,946	982,449
Investments	1,002,110	-	-	-	1,002,110	1,145,775
Due from affiliated organizations	3,860,228	-	-	(3,860,228)	-	-
Prepaid expenses and other assets	554,232	-	1,677	-	555,909	442,153
Advances paid to subcontractors	-	259,322	-	-	259,322	1,034,080
Property and equipment, net	2,887,430	-	32,034,532	-	34,921,962	18,667,951
Security deposits	170,509	-	-	-	170,509	170,509
Beneficial interest in perpetual trust	-	-	236,204	-	236,204	283,427
<b>TOTAL ASSETS</b>	<b>\$ 22,962,165</b>	<b>\$ 7,355,275</b>	<b>\$ 35,420,863</b>	<b>\$ (3,860,228)</b>	<b>\$ 61,878,075</b>	<b>\$ 52,002,522</b>
<b>LIABILITIES</b>						
Accounts payable and accrued expenses	\$ 3,567,088	\$ 2,965,313	\$ 31,214	\$ -	\$ 6,563,615	\$ 5,121,256
Accrued salary and vacation	821,253	-	-	-	821,253	708,187
Deferred rent	377,171	-	-	-	377,171	487,529
Deferred revenue/refundable advances	190,000	-	-	-	190,000	194,044
Due to affiliated organizations	-	1,856,848	2,003,380	(3,860,228)	-	-
Notes and loans payable	4,896,848	435,458	850,047	-	6,182,353	6,636,297
Construction loans payable	-	-	19,268,700	-	19,268,700	14,941,000
Mortgage payable	2,540,160	-	-	-	2,540,160	2,735,211
<b>TOTAL LIABILITIES</b>	<b>12,392,520</b>	<b>5,257,619</b>	<b>22,153,341</b>	<b>(3,860,228)</b>	<b>35,943,252</b>	<b>30,823,524</b>
<b>NET ASSETS</b>						
Without donor restrictions						
Board Designated - Reserve Fund	1,866,130	-	-	-	1,866,130	1,100,000
Fulton Contingency - Reserve Fund	-	-	890,873	-	890,873	890,873
Available for operations	5,150,580	1,951,823	(49,780)	-	7,052,623	7,078,719
Total net assets without donor restrictions	7,016,710	1,951,823	841,093	-	9,809,626	9,069,592
With donor restrictions	3,552,935	145,833	12,426,429	-	16,125,197	12,109,406
<b>TOTAL NET ASSETS</b>	<b>10,569,645</b>	<b>2,097,656</b>	<b>13,267,522</b>	<b>-</b>	<b>25,934,823</b>	<b>21,178,998</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 22,962,165</b>	<b>\$ 7,355,275</b>	<b>\$ 35,420,863</b>	<b>\$ (3,860,228)</b>	<b>\$ 61,878,075</b>	<b>\$ 52,002,522</b>

**THE OSBORNE ASSOCIATION, INC. AND AFFILIATES**  
**CONSOLIDATING STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2022**  
**(With Comparative Totals for June 30, 2021)**

	For the Year Ended June 30, 2022					
	The Osborne Association, Inc.	Osborne Treatment Services, Inc.	Thomas Mott Osborne Memorial Fund, Inc.	Consolidating Eliminations	Consolidated Total 2022	Consolidated Total 2021
<b>OPERATING SUPPORT AND REVENUE:</b>						
<b>Public Support:</b>						
Financial contributions and grants	\$ 3,896,654	\$ -	\$ -	\$ -	\$ 3,896,654	\$ 4,160,804
Nonfinancial contributions	147,924	-	-	-	147,924	45,000
<b>Total Public Support</b>	<u>4,044,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,044,578</u>	<u>4,205,804</u>
<b>Fee for Service:</b>						
Medicaid	-	953,884	-	-	953,884	1,302,752
Janitorial	7,355,685	-	-	-	7,355,685	8,293,947
Catering	-	-	-	-	-	3,652
<b>Total Fee for Service</b>	<u>7,355,685</u>	<u>953,884</u>	<u>-</u>	<u>-</u>	<u>8,309,569</u>	<u>9,600,351</u>
<b>Governmental Support:</b>						
New York State	2,605,667	81,084	3,744,088	-	6,430,839	4,568,873
New York City	18,116,079	3,395,233	213,656	-	21,724,968	16,779,051
Federal-direct and indirect	2,083,295	18,331	-	-	2,101,626	2,533,592
<b>Total Governmental Support</b>	<u>22,805,041</u>	<u>3,494,648</u>	<u>3,957,744</u>	<u>-</u>	<u>30,257,433</u>	<u>23,881,516</u>
<b>Revenue:</b>						
Management fee	794,030	-	-	(794,030)	-	-
<b>TOTAL OPERATING SUPPORT REVENUE</b>	<u>34,999,334</u>	<u>4,448,532</u>	<u>3,957,744</u>	<u>(794,030)</u>	<u>42,611,580</u>	<u>37,687,671</u>
<b>OPERATING EXPENSES:</b>						
<b>Program Services:</b>						
Adopting healthy lifestyles	2,146,097	2,189,392	-	(435,184)	3,900,305	3,897,131
Achieving economic independence:						
Workforce development	3,627,922	-	-	(443,410)	3,184,512	2,290,480
Janitorial/maintenance services	7,325,111	-	-	(22,009)	7,303,102	7,204,980
Fresh start catering	188,449	-	-	-	188,449	359,966
Reducing reliance on incarceration:						
Jail-based services	1,337,911	-	-	-	1,337,911	2,806,473
Court advocacy services	1,967,596	2,922,003	-	-	4,889,599	3,689,932
ATI 212 Program 52	-	175,325	-	-	175,325	-
Reconnecting families and strengthening communities	8,261,478	-	-	(17,563)	8,243,915	5,890,816
Fulton community reentry center	237,119	-	-	-	237,119	151,007
Osborne Association policy center	472,242	-	-	-	472,242	210,493
<b>Total Program Services Expenses</b>	<u>25,563,925</u>	<u>5,286,720</u>	<u>-</u>	<u>(918,166)</u>	<u>29,932,479</u>	<u>26,501,278</u>
<b>Supporting Services:</b>						
Management and administration	6,252,758	783,827	241,031	(924,196)	6,353,420	6,066,212
Fundraising	1,474,660	-	-	(63,249)	1,411,411	845,652
<b>Total Supporting Services Expenses</b>	<u>7,727,418</u>	<u>783,827</u>	<u>241,031</u>	<u>(987,445)</u>	<u>7,764,831</u>	<u>6,911,864</u>
<b>TOTAL OPERATING EXPENSES</b>	<u>33,291,343</u>	<u>6,070,547</u>	<u>241,031</u>	<u>(1,905,611)</u>	<u>37,697,310</u>	<u>33,413,142</u>
<b>OPERATING INCOME (LOSS)</b>	<u>1,707,991</u>	<u>(1,622,015)</u>	<u>3,716,713</u>	<u>1,111,581</u>	<u>4,914,270</u>	<u>4,274,529</u>
<b>NONOPERATING ACTIVITIES:</b>						
Interest and dividends	116	-	8,561	-	8,677	5,896
Realized gain on investments	36,370	-	-	-	36,370	-
Unrealized gain (loss) in market value of investments	(175,191)	-	-	-	(175,191)	327,956
Gain (loss) on beneficial interest in perpetual trust	-	-	(47,223)	-	(47,223)	57,957
Rental income	1,111,581	-	-	(1,111,581)	-	-
Miscellaneous income	-	-	-	-	-	890,873
Other income	7,873	11,049	-	-	18,922	138,865
<b>NONOPERATING INCOME (LOSS)</b>	<u>980,749</u>	<u>11,049</u>	<u>(38,662)</u>	<u>(1,111,581)</u>	<u>(158,445)</u>	<u>1,421,547</u>
<b>CHANGE IN NET ASSETS</b>	<u>2,688,740</u>	<u>(1,610,966)</u>	<u>3,678,051</u>	<u>-</u>	<u>4,755,825</u>	<u>5,696,076</u>
<b>NET ASSETS - BEGINNING 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>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 10,569,645</u>	<u>\$ 2,097,656</u>	<u>\$ 13,267,522</u>	<u>\$ -</u>	<u>\$ 25,934,823</u>	<u>\$ 21,178,998</u>

See independent auditors' report.

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES (Continued)  
FOR THE YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for June 30, 2021)

For the Year Ended June 30, 2022

The Osborne Association, Inc.

	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	Fundraising	Total Supporting Services	The Osborne Association, Inc. Total
		Workforce Development	Janitorial/ Maintenance Services	Fresh Start Catering	Jail - Based Services	Court Advocacy Services								
OPERATING EXPENSES:														
Salaries	\$ 1,085,773	\$ 1,526,190	\$ 5,350,788	\$ 126,612	\$ 840,132	\$ 659,555	\$ 3,808,095	\$ 140,922	\$ 310,366	\$ 13,848,433	\$ 2,998,378	\$ 841,285	\$ 3,839,663	\$ 17,688,096
Payroll taxes and employee benefits	262,280	493,392	951,642	38,013	236,711	197,725	1,067,838	36,013	81,843	3,365,457	806,629	222,943	1,029,572	4,395,029
Total Salaries and Related Costs	1,348,053	2,019,582	6,302,430	164,625	1,076,843	857,280	4,875,933	176,935	392,209	17,213,890	3,805,007	1,064,228	4,869,235	22,083,125
Occupancy	230,169	335,804	45,828	8,000	133,026	137,133	716,067	1,568	29,709	1,637,304	149,229	42,865	192,094	1,829,398
Supplies and expensed equipment	26,720	69,790	116,230	3,275	32,742	11,023	836,025	356	8,807	1,104,968	382,004	65,916	447,920	1,552,888
Professional fees	3,725	-	14,397	-	-	4,930	172,996	-	23,850	219,898	422,133	40,880	463,013	682,911
Professional fees - subcontractors	448,875	944,364	21,527	-	-	744,127	861,077	3,587	-	3,023,557	-	212	212	3,023,769
Direct participant costs	3,791	134,507	27,341	-	10,353	138,448	468,340	-	5,016	787,796	2,481	435	2,916	790,712
Telephone	23,049	31,523	21,981	457	10,812	7,281	65,168	7,414	3,271	170,956	20,695	8,444	29,139	200,095
Repairs, maintenance and alterations	-	2,952	91	-	450	-	27,558	-	-	31,051	-	-	-	31,051
Miscellaneous	11,220	10,883	304,697	4,866	7,255	5,105	47,011	4,884	3,205	399,126	159,638	42,005	201,643	600,769
Insurance	13,964	63,754	318,140	5,992	43,904	45,218	112,266	42,323	-	645,561	22,093	-	22,093	667,654
Training	6,612	4,025	8,598	-	10,478	1,554	29,836	-	3,200	64,303	(990)	-	(990)	63,313
Travel	28,988	3,039	7,576	1,234	239	3,276	17,929	-	2,533	64,814	11,365	1,521	12,886	77,700
Auto	-	242	1,741	-	3,505	-	1,929	-	-	7,417	9,125	-	9,125	16,542
Direct mail and special events	-	-	-	-	-	-	690	-	-	690	-	94,605	94,605	95,295
Management fees - intercompany	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Bad debt expense	-	-	117,708	-	-	-	-	-	-	117,708	-	101,756	101,756	219,464
Interest	931	7,457	4,794	-	8,304	12,221	20,308	52	442	54,509	12,967	-	12,968	67,477
Depreciation and amortization	-	-	12,032	-	-	-	8,345	-	-	20,377	118,872	11,793	130,665	151,042
TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS	2,146,097	3,627,922	7,325,111	188,449	1,337,911	1,967,596	8,261,478	237,119	472,242	25,563,925	5,114,619	1,474,660	6,589,280	32,153,205
ALLOCATION OF ELIMINATIONS	(159,067)	(443,410)	(22,009)	-	-	-	(17,563)	-	-	(642,049)	(130,166)	(63,249)	(193,415)	(835,464)
TOTAL EXPENSES	\$ 1,987,030	\$ 3,184,512	\$ 7,303,102	\$ 188,449	\$ 1,337,911	\$ 1,967,596	\$ 8,243,915	\$ 237,119	\$ 472,242	\$ 24,921,876	\$ 4,984,453	\$ 1,411,411	\$ 6,395,865	\$ 31,317,741

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES (Continued)  
FOR THE YEAR ENDED JUNE 30, 2022  
(With Comparative Totals for June 30, 2021)

	For the Year Ended June 30, 2022 (Continued)									
	Osborne Treatment Service, Inc.					Thomas Mott Osborne Memorial Fund, Inc.	809 Westchester LLC			
	Prevention and Treatment Services	Reducing Reliance on Incarceration - Court Advocacy Services	ATI 212 Program 52	Management and Administration	Osborne Treatment Services, Inc. Total	Management and Administration	Management and Administration	Eliminations	Consolidated Total 2022	Consolidated Total 2021
OPERATING EXPENSES:										
Salaries	\$ 1,128,493	\$ 659,818	\$ 136,498	\$ -	\$ 1,924,809	\$ 40,513	\$ 292,229	\$ -	\$ 19,945,647	\$ 18,984,112
Payroll taxes and employee benefits	337,272	220,320	28,170	-	585,762	13,076	164,394	-	5,158,261	4,596,024
Total Salaries and Related Costs	1,465,765	880,138	164,668	-	2,510,571	53,589	456,623	-	25,103,908	23,580,136
Occupancy	369,507	165,412	-	-	534,919	-	160,340	(1,111,581)	1,413,076	1,363,201
Supplies and expensed equipment	18,218	15,413	884	-	34,515	137,066	11,232	-	1,735,701	1,135,392
Professional fees	100,166	31,564	-	-	131,730	15,391	12,489	-	842,521	1,083,165
Professional fees - subcontractors	-	1,795,274	-	-	1,795,274	-	-	-	4,819,043	3,181,185
Direct participant costs	2,425	-	6,050	-	8,475	-	-	-	799,187	367,575
Telephone	14,942	3,051	865	-	18,858	279	1,397	-	220,629	221,078
Repairs, maintenance and alterations	-	-	-	-	-	-	57,746	-	88,797	205,975
Miscellaneous	23,597	5,024	50	-	28,671	10,288	2,582	-	642,310	612,088
Insurance	39,148	15,232	-	-	54,380	15,075	44,203	-	781,312	625,141
Training	3,194	1,848	1,722	-	6,764	-	512	-	70,589	48,906
Travel	412	20	1,086	-	1,518	488	7,801	-	87,507	54,729
Auto	-	-	-	-	-	-	6,324	-	22,866	24,458
Direct mail and special events	-	-	-	-	-	-	-	-	95,295	3,185
Management fees - intercompany	-	-	-	783,827	783,827	8,831	1,372	(794,030)	-	-
Bad debt expense	148,596	-	-	-	148,596	-	-	-	368,060	290,942
Interest	3,422	9,027	-	-	12,449	24	110,023	-	189,973	202,089
Depreciation and amortization	-	-	-	-	-	-	265,495	-	416,537	368,897
TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS	2,189,392	2,922,003	175,325	783,827	6,070,547	241,031	1,138,139	(1,905,611)	37,697,311	33,413,142
ALLOCATION OF ELIMINATIONS	(276,117)	-	-	(783,827)	(1,059,944)	(8,831)	(1,372)	1,905,611	-	-
TOTAL EXPENSES	\$ 1,913,275	\$ 2,922,003	\$ 175,325	\$ -	\$ 5,010,603	\$ 232,200	\$ 1,136,767	\$ -	\$ 37,697,311	\$ 33,413,142

THE OSBORNE ASSOCIATION, INC. AND AFFILIATES  
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES (Continued)  
FOR THE YEAR ENDED JUNE 30, 2021

For the Year Ended June 30, 2021

The Osborne Association, Inc.

	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	Fundraising	Total Supporting Services	The Osborne Association, Inc. Total	
	Adopting	Workforce	Janitorial/ Maintenance	Fresh Start	Jail - Based	Court Advocacy									
	Healthy Lifestyles	Development	Services	Catering	Services	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

	For the Year Ended June 30, 2021 (Continued)						
	Osborne Treatment Service, Inc.				Thomas Mott Osborne Memorial Fund, Inc.		
	Prevention and Treatment Services	Reducing Reliance on Incarceration - Court Advocacy Services	Management and Administration	Osborne Treatment Services, Inc. Total	Management and Administration	Eliminations	Consolidated Total 2021
OPERATING EXPENSES:							
Salaries	\$ 1,143,177	\$ 606,647	\$ -	\$ 1,749,824	\$ -	\$ -	\$ 18,984,112
Payroll taxes and employee benefits	412,774	182,236	-	595,010	-	-	4,596,024
Total Salaries and Related Costs	1,555,951	788,883	-	2,344,834	-	-	23,580,136
Occupancy	353,068	112,526	-	465,594	-	(1,059,569)	1,363,201
Supplies and expensed equipment	31,993	10,782	-	42,775	-	-	1,135,392
Professional fees	153,408	-	-	153,408	-	-	1,083,165
Professional fees - subcontractors	-	1,762,388	-	1,762,388	-	-	3,181,185
Value of pro-bono legal services	-	-	-	-	-	-	45,000
Direct participant costs	3,617	-	-	3,617	-	-	367,575
Telephone	18,534	2,445	-	20,979	-	-	221,078
Repairs, maintenance and alterations	-	32	-	32	-	-	205,975
Miscellaneous	85,242	3,783	-	89,025	999	-	612,088
Insurance	21,690	15,210	-	36,900	-	-	625,141
Training	1,050	10,000	-	11,050	-	-	48,906
Travel	-	32	-	32	-	-	54,729
Auto	-	-	-	-	56	-	24,458
Direct mail and special events	-	-	-	-	-	-	3,185
Management fees - intercompany	-	-	674,388	674,388	-	(769,770)	-
Bad debt expense	-	-	-	-	-	-	290,942
Interest	4,256	10,609	-	14,865	-	-	202,089
Depreciation and amortization	-	-	-	-	-	-	368,897
TOTAL OPERATING EXPENSES - BEFORE ELIMINATIONS	2,228,809	2,716,690	674,388	5,619,887	1,055	(1,829,339)	33,413,142
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