

NORTHEAST PARENT AND CHILD SOCIETY, INC.

**Financial Statements as of
June 30, 2024
Together with
Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

November 26, 2024

To the Board of Directors of
Northeast Parent and Child Society, Inc.:

Opinion

We have audited the accompanying financial statements of Northeast Parent and Child Society, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northeast Parent and Child Society, Inc. as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northeast Parent and Child Society, Inc. 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.

Responsibilities of Management for the Financial Statements

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

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

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INDEPENDENT AUDITOR'S REPORT

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Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Report on Summarized Comparative Information

We have previously audited Northeast Parent and Child Society, Inc.'s 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 30, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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INDEPENDENT AUDITOR'S REPORT

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Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Schedule I is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2024

(With Comparative Totals for 2023)

	2024	2023
ASSETS		
CURRENT ASSETS:		
Cash	\$ 3,308,516	\$ 5,080,064
Accounts receivable, net allowance for credit losses of \$163,022 and \$112,837 at June 30, 2024 and 2023, respectively	7,360,495	6,959,564
Mortgage note receivable, current portion	199,992	179,992
Accounts receivable from grants and contributions	111,222	125,572
Accounts receivable, other	93,346	19,343
Due from affiliates	176,451	213,614
Investments	5,399,486	3,432,306
Prepaid expenses and inventory	<u>52,160</u>	<u>55,224</u>
Total current assets	16,701,668	16,065,679
INVESTMENTS, restricted	710,244	664,782
PROPERTY AND EQUIPMENT, net	9,986,053	10,985,576
FINANCE LEASE RIGHT-OF-USE ASSETS	800,951	1,009,894
OPERATING LEASE RIGHT-OF-USE ASSETS	435,540	636,522
OTHER ASSETS:		
Mortgage note receivable, net of current portion	966,190	1,040,348
Deposits	8,177	8,177
Beneficial interest in trusts	<u>1,837,492</u>	<u>1,729,258</u>
Total other assets	<u>2,811,859</u>	<u>2,777,783</u>
	<u>\$ 31,446,315</u>	<u>\$ 32,140,236</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 582,745	\$ 748,569
Due to funding sources	-	29,066
Due to affiliates	166,635	174,657
Accrued salaries and expenses	3,065,918	2,892,195
Refundable advances	21,175	69,670
Deferred revenue	366,856	366,856
Deferred revenue from grants and contributions	17,088	19,810
Operating lease liability, current portion	163,413	188,690
Finance lease liability, current portion	197,987	374,553
Loans payable, current portion	57,160	49,094
Bonds payable, current portion	<u>375,497</u>	<u>360,497</u>
Total current liabilities	<u>5,014,474</u>	<u>5,273,657</u>
LONG-TERM LIABILITIES:		
Operating lease liability, net of current portion	280,821	452,914
Finance lease liability, net of current portion	630,453	651,874
Loans payable, net of current portion	2,684,050	2,738,306
Bonds payable, net of current portion	<u>7,062,763</u>	<u>7,423,312</u>
Total long-term liabilities	<u>10,658,087</u>	<u>11,266,406</u>
Total liabilities	<u>15,672,561</u>	<u>16,540,063</u>
NET ASSETS		
Without donor restrictions	13,755,723	13,705,638
With donor restrictions	<u>2,018,031</u>	<u>1,894,535</u>
Total net assets	<u>15,773,754</u>	<u>15,600,173</u>
	<u>\$ 31,446,315</u>	<u>\$ 32,140,236</u>

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2024 (With Comparative Totals for 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE:				
Fee for service revenue	\$ 37,065,701	\$ -	\$ 37,065,701	\$ 36,951,428
Grants and contributions revenue	446,308	-	446,308	667,154
Fundraising	84,264	-	84,264	276,132
Change in value of beneficial interest in trusts	-	108,235	108,235	68,512
Rent	178,469	-	178,469	297,400
Fringe benefit recovery	119,328	-	119,328	13,265
Miscellaneous	42,051	-	42,051	35,155
Total support and revenue	37,936,121	108,235	38,044,356	38,309,046
EXPENSE:				
Program service	34,809,228	-	34,809,228	34,320,924
Management and general - parent org.	3,194,595	-	3,194,595	3,021,279
Management and general - other	495,637	-	495,637	323,934
Total expense	38,499,459	-	38,499,459	37,666,137
OPERATING GAIN (LOSS)	(563,338)	108,235	(455,103)	642,909
NON-OPERATING REVENUE (EXPENSE):				
Investment income (loss), net	614,028	15,261	629,289	337,171
Gain (loss) on disposition of property and equipment	(605)	-	(605)	9,600
Total non-operating revenue (expense)	613,423	15,261	628,684	346,771
CHANGE IN NET ASSETS	50,085	123,496	173,581	989,680
NET ASSETS - beginning of year	13,705,638	1,894,535	15,600,173	14,610,493
NET ASSETS - end of year	\$ 13,755,723	\$ 2,018,031	\$ 15,773,754	\$ 15,600,173

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2024

(With Comparative Totals for 2023)

	<u>2024</u>	<u>2023</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 173,581	\$ 989,680
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	1,077,985	940,414
Amortization of bond premium	(5,497)	(5,497)
Amortization of financing lease	206,039	379,274
Amortization of closing costs	2,904	-
Noncash operating lease expense	200,982	172,341
Interest expense - bond issuance costs	20,758	14,949
Loss (gain) on disposition of property and equipment	605	(9,600)
Loss (gain) on investments	(340,530)	(244,153)
Change in value of beneficial interest in trusts	(108,235)	(68,512)
Credit loss expense	66,431	65,841
Changes in:		
Accounts receivable	(467,362)	23,019
Accounts receivable from grants and contributions	14,350	125,572
Accounts receivable, other	(74,003)	19,343
Due from affiliate	37,163	(40,745)
Prepaid expenses and inventory	3,065	(1,136)
Operating leases	(197,370)	(167,259)
Accounts payable	(163,182)	285,432
Deferred revenue from grants and contributions	(2,722)	-
Due to affiliate	(8,022)	89,166
Accrued salaries and expenses	173,723	426,094
Refundable advances	(48,495)	(353,500)
Due to funding sources	(29,066)	53,030
Net cash flow from operating activities	<u>533,102</u>	<u>2,693,753</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Payments received on mortgage note receivable	54,158	175,494
Purchase of property and equipment	(81,709)	(3,590,190)
Proceeds from sale of property and equipment	-	9,600
Purchase of investments	(3,133,982)	(1,516,132)
Proceeds from sale of investments	<u>1,461,870</u>	<u>1,432,183</u>
Net cash flow from investing activities	<u>(1,699,663)</u>	<u>(3,489,045)</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings of loans payable	-	2,787,400
Repayment of loans payable	(49,094)	-
Repayment of bonds payable	(360,810)	(340,000)
Repayment of financing lease obligations	<u>(195,083)</u>	<u>(362,740)</u>
Net cash flow from financing activities	<u>(604,987)</u>	<u>2,084,660</u>
CHANGE IN CASH	<u>(1,771,548)</u>	<u>1,289,368</u>
CASH - beginning of year	<u>5,080,064</u>	<u>3,790,696</u>
CASH - end of year	<u>\$ 3,308,516</u>	<u>\$ 5,080,064</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest Paid	\$ 798,299	\$ 873,617
Purchase of property and equipment included in Accounts payable	<u>\$ 2,642</u>	<u>\$ 279,774</u>

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2024

(With Comparative Totals for 2023)

	<u>Program</u>	<u>Management and General</u>	<u>2024 Total</u>	<u>2023 Total</u>
Salaries	\$ 20,036,993	\$ 126,606	\$ 20,163,598	\$ 19,732,772
Employee health and retirement benefits	2,739,523	5,628	2,745,151	2,386,969
Payroll taxes	<u>1,866,739</u>	<u>12,062</u>	<u>1,878,801</u>	<u>1,898,712</u>
Total compensation and benefits	<u>24,643,255</u>	<u>144,296</u>	<u>24,787,550</u>	<u>24,018,453</u>
Boarding home	3,108,519	-	3,108,519	3,283,250
Charges from parent organization	-	3,010,083	3,010,083	2,828,090
Purchases of services	1,410,761	15,627	1,426,388	1,592,583
Rent	371,793	38,731	410,524	412,223
Depreciation and amortization	1,110,788	193,993	1,304,781	1,334,638
Auto and transportation	888,386	318	888,705	972,657
Insurance	658,499	-	658,499	632,140
Interest	546,837	25,938	572,775	476,926
Credit loss	16,247	50,184	66,431	65,841
Supplies and equipment	307,440	1,941	309,381	338,684
Utilities and property taxes	316,416	19,149	335,564	313,338
Publicity	195,114	-	195,114	116,987
Food	282,665	-	282,665	267,023
Subscription and publications	1,450	-	1,450	1,579
Telecommunications	182,085	13,306	195,391	180,604
Legal and professional fees	25,095	-	25,095	83,693
Recreation	150,857	-	150,857	122,083
Miscellaneous	118,831	312	119,144	149,145
Repair and maintenance	66,105	6,015	72,120	77,981
Office supplies	34,592	53	34,645	36,212
Allowances - children & parents	47,566	-	47,566	47,547
Clothing	30,297	-	30,297	26,355
Dues, licenses and permits	10,879	987	11,866	11,985
Scholarship awards	-	9,154	9,154	-
Bedding	10,331	10	10,341	16,503
Postage and shipping	1,714	7	1,721	2,030
Staff development	16,575	-	16,575	6,017
Software and systems	217,008	154,486	371,493	207,254
School	750	-	750	1,303
Conferences and administrative	<u>38,372</u>	<u>5,641</u>	<u>44,013</u>	<u>43,014</u>
	<u>\$ 34,809,228</u>	<u>\$ 3,690,232</u>	<u>\$ 38,499,459</u>	<u>\$ 37,666,137</u>

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2024

1. THE SOCIETY

Northeast Parent and Child Society, Inc. (the Society) is a New York non-profit corporation that was formed for the purpose of providing therapeutic, educational and other related services to children and their families, through the operation of residential, non-residential and supporting service programs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Society's financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

Recently Adopted Accounting Guidance – Current Expected Credit Loss (CECL)

Accounting Standards Codification (ASC) Topic 326 *Financial Instruments – Credit Losses* requires certain financial assets to be measured at amortized cost net of an allowance for estimated credit losses. This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. The estimated credit loss is required to be based on historical information, current conditions, and forecasts that could impact the collectability of the amounts. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses.

Effective July 1, 2023, the Society adopted ASC 326 using the modified retrospective approach for all financial assets measured at amortized cost. Results for reporting periods beginning after July 1, 2023 are presented under CECL while prior period amounts continue to be reported and disclosed in accordance with previously applicable accounting standards. The impact of adoption was not considered material to the financial statements and primarily resulted in enhance disclosures only.

Use of Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

Certain reclassifications have been made to the prior year information to conform to the current year presentation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash

Cash includes bank demand deposit accounts and investments in highly liquid debt instruments with an initial maturity of three months or less. The Society's cash balances may at times exceed federally insured limits. The Society has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk with respect to cash.

Accounts Receivable and Allowance for Credit Losses

Accounts receivable include uncollateralized obligations from numerous sources including Medicaid; local, New York State; contracts; and third-party reimbursement programs. Substantially all programs are billed on a monthly basis under customary payment terms associated with the Society's various funding sources. Payment is normally received within thirty to sixty days. Accounts for which no payment has been received for several months are considered delinquent and customary collection efforts are begun. After all collection efforts are exhausted, the account is written off.

The Society's accounts receivables are primarily derived from the State. The Society recognizes an expected allowance for credit losses that is updated to reflect any changes in credit risk since the receivable was initially recorded. This estimate is calculated on a pooled basis where similar risk characteristics exist, and receivables are evaluated individually when specific customer balances no longer share those risk characteristics and are considered at risk or uncollectible.

The estimated allowance for credit losses is based on historical, current, and expected future conditions. The historical component is derived from a review of the Society's historical losses based on the aging of receivables. The current and expected future economic conditions have not changed as compared with the economic conditions included in the historical information. As a result, the allowance for credit losses percentage was not changed to adjust for the impact of current and expected future conditions on historical losses.

Mortgage Note Receivable

Mortgage note receivable consists of a non-interest-bearing mortgage secured by real estate and payable in monthly installments over the life of the mortgage. The mortgage is recorded at the gross amount of payments to be received over the life of the mortgage, less an allowance for credit loss. Management has elected not to discount the mortgage due to the immaterial impact on the financial statements. The mortgage note receivable is considered impaired when contractual payments are greater than 90 days past due and it is probable the Society will be unable to collect the scheduled principal payments.

The mortgage note receivable is periodically reviewed for collectability based on past history and current economic conditions to determine if there is a need for an allowance for credit loss. Management recognizes an expected allowance for credit losses that is updated to reflect any deemed changes in credit risk since the receivable was initially recorded.

The estimated allowance for credit loss is based on historical, current, and expected future conditions, including inflation, interest rates, or indications of a potential recession. These factors are evaluated and if they are expected to deteriorate or improve, this is also included in the calculation. The mortgage is considered delinquent if no contractual payments have been received for a period of time and customary collection efforts commence. After all collection efforts are exhausted, any amounts deemed uncollectible are written off. No allowance for credit loss has been recorded as of June 30, 2024 and 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

The Society records investments in money markets, common stocks, mutual funds, and debt securities at their fair value. Realized and unrealized gains and losses, net of investment fees, are included in the change in net assets in the accompanying statements of activities.

Investments also include certificates of deposit. Due to the nature and maturity dates of the certificates of deposit, the values of investments are stated at cost plus accrued interest, which approximates fair market value. All investments are available to be liquidated prior to their respective maturity.

Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the accompanying financial statements.

Inventory

Inventory consists of food supplies on hand and is stated at the lower of cost (determined on first in, first out method) or net realizable value.

Restricted Investments

The Dormitory Authority of the State of New York (DASNY) Bond Funds were created as the result of the issuance of the Series 2008 A-1 for the construction of a new Children's Home. These funds are held by a Trustee and payments are made only upon proper authorization.

Debt Service Funds – Payments of principal and interest are made from these funds.

Debt Service Reserve Funds – These funds will be used to augment the funds in the Debt Service Funds if the amounts in the Debt Service Funds are insufficient to make required payments.

Property and Equipment

All expenditures for land, buildings, and equipment in excess of \$5,000 with a useful life of two years or more, are capitalized and recorded at cost. Property and equipment that is donated is recorded at its fair value at the time of the donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Land improvements	20 years
Buildings	20 - 40 years
Leasehold improvements	3 - 10 years
Equipment	3 - 10 years
Automobiles	3 - 10 years

Maintenance and repairs are charged to operations when incurred; betterments and renewals are capitalized. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation are relieved, and any gain or loss is included as a non-operating gain or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases

The Society determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Society considers factors such as if the Society obtained substantially all of the rights to the underlying asset through exclusivity, if it can direct the use of the asset by making decisions about how and for what purpose the asset will be used and if the lessor has substantive substitution rights. This evaluation may require significant judgment.

Right-of-use (ROU) assets represent the Society's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The lease may include renewal and termination options, which are included in the lease term when the Society is reasonably certain to exercise these options.

For all underlying classes of assets, the Society has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Society is reasonably certain to exercise. The Society recognizes fixed short-term lease cost on a straight-line basis over the lease term and variable lease cost in the period in which the obligation is incurred.

The Society elected for all classes of underlying assets, to use the risk-free rate as the discount rate if the implicit rate in the lease contract is not readily determinable and to not separate the lease and non-lease components of a contract and to account for as a single lease component.

Long-Lived Assets

The Society assesses its long-lived assets for impairment when events or circumstances indicate their carrying amounts may not be recoverable. This is accomplished by comparing the expected undiscounted future cash flows of the long-lived assets with the respective carrying amount as of the date of assessment. If the expected undiscounted future cash flows exceed the respective carrying amount as of the date of assessment, the long-lived assets are considered not to be impaired. If the expected undiscounted future cash flows are less than the carrying value, an impairment loss is recognized and measured as the difference between the carrying value and the fair value of the long-lived assets. No impairment of long-lived assets was recognized in 2024 and 2023.

Beneficial Interest in Perpetual Trusts

The Society is the beneficiary of five perpetual trusts. The Society has the right to receive the income earned on the trusts' assets in perpetuity. The beneficial interest is recorded at the fair value of the underlying assets, based upon the market value of the investments held by trusts. The net increase or decrease in the fair value of the underlying assets is reflected in the statement of activities as change in value of beneficial interests in trusts, within the net assets with donor restrictions fund class.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Refundable Advances

The Society receives advances from New York State funding agencies. If the amounts received are not spent or are in excess of maximum funding limits during the period they are received, they are reported as refundable advances in the accompanying financial statements. At the funding agencies' discretion, the amounts will be used to offset future amounts receivable or recouped against future payments. Accordingly, these amounts have been reflected as a liability in the accompanying financial statements. During the years ended June 30, 2024 and 2023, no amount was paid back to the funding agencies.

Deferred Revenue and Deferred Revenue From Grants and Contributions

Deferred Revenue

Deferred revenue primarily consists of contract funds received in advance of the service period for which the performance obligation has not been met. Deferred revenue is recognized at a point in time and as such, the liabilities are satisfied at the time of the performance obligations are met. Deferred revenue at June 30, 2022 was \$415,732.

Deferred Revenue from Grants and Contributions

Deferred revenue from grants and contributions consists of grant revenues received but not yet spent consistent with the conditions set forth in the grant and are either expected to be earned in future periods and/or owed back to the corresponding funding source.

Debt Issuance Costs

Debt issuance costs are recognized as interest expense on straight-line basis over the periods of the related debt. The unamortized issuance costs were \$148,244 and \$163,193 at June 30, 2024 and 2023, respectively, and are netted against bonds payables on the statements of financial position. There were \$14,949 of amortization expense for the years ended June 30, 2024 and 2023.

Financial Reporting

The Society reports its activities and the related net assets using two net asset categories: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions include resources which are available for the support of the Society's operating activities and are not subject to donor-imposed stipulations.

Net assets with donor restrictions have donor-imposed restrictions that permit the Society to use up or expend the donated assets as specified. This restriction is satisfied by the passage of time or by actions of the Society. This classification of net assets includes the beneficial interest in perpetual trusts as noted above.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Third-Party Reimbursement and Revenue Recognition

The Society receives substantially all of its revenue for services provided to approved individuals from third-party agencies, primarily the New York State Department of Health, the New York State Office of Children and Family Services, the New York Office of Mental Health, and the New York State Education Department. Operating revenue is recognized at amounts that reflects the consideration to which they expect to be entitled in exchange for providing residential and educational services. These amounts are due from third-party payors (including state and local government agencies and school districts) based upon tentative rates and they include variable consideration retroactive revenue adjustments due to settlement of audits, reviews and investigations. These rates are initially estimated based upon prior historical costs. These initial rates are subsequently adjusted to actual based upon the filing of cost reports.

Revenue is recognized when the Society satisfies their performance obligations under contracts by transferring services to clients at a point in time. The Society's performance obligations are to provide residential, educational, and therapeutic services. The transaction price is based on established charges for services provided determined using the output method. These rates are determined by allowable expenditures in rate setting periods. The reimbursement rate may also change after the cost report is audited by funding sources.

The Society's policy is to recognize retroactive rate adjustments and audit settlements, if any, in the period in which they are finalized by the funding sources.

Statement of Activities

The statement of activities is divided into operating and non-operating components. All revenue and expenses directly associated with the day-to-day operations are included in the operating gain or loss. Contributions, bequests, investment income and other non-operating items are classified as non-operating income or expense.

Contributions

The Society reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. If restricted support is received and used in the same year, it is reported as net assets without donor restrictions.

The Society reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Society reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Society reports donor restricted contributions as unrestricted support provided that the restrictions are met in the same year the contributions are received.

Contributed Nonfinancial Assets

Donated materials and supplies are recorded as contributions at estimated fair value at the date of gift. The Society receives a significant amount of donated services from unpaid volunteers who assist in fundraising and special projects. The value of the services have not been reflected in these financial statements because they do not meet the criteria for recognition under U.S. GAAP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair Value Measurement – Definition and Hierarchy

Fair value is defined as 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 and GAAP provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements).

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation methodology used for the Society's assets measured at fair value is to value the investments at quoted market prices on the last business day of the fiscal year.

The Society has financial instruments in the accompanying financial statements, including cash and equivalents and investments including money market funds, debt securities, equities, mutual funds, and beneficial interest in perpetual trusts. The carrying value of investments in equities, and mutual funds notes are a reasonable approximation of fair value due to the short-term nature of the instruments and are considered to be a level 1 measurement. The fair value of the corporate debt securities, and beneficial interest in perpetual trusts are determined to be a level 2 measurement using the market approach as the carrying amount of these investments approximates fair value based on the value of similar assets at which the Society could invest.

Functional Allocation of Expenses

The Society's directly identifiable expenses related to a singular program or supporting service are charged fully and directly. Expenses related to more than one program or supporting service are charged as such using specific allocation methods. Fringe benefit expenses are charged to departments based on actual salary expenses, occupancy related expenses are charged to departments based on square footage, and parent organization charges from Northern Rivers are charged to departments based on a ratio value of applicable expense.

Income Taxes

The Society is exempt from federal income tax under Section 501 (c)(3) of the Internal Revenue Code. In addition, the Society qualifies for charitable contribution deductions and has been classified as an organization other than a private foundation.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional allocation. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Society's financial statements as of and for the year ended June 30, 2023, from which the summarized information was derived.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Society is substantially supported by grants and support from New York State funding sources. The following reflects the Society's financial assets as of the statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of June 30:

	<u>2024</u>	<u>2023</u>
Financial assets:		
Cash	\$ 3,308,516	\$ 5,080,064
Accounts receivable, net	7,941,506	7,498,085
Investments	<u>5,399,486</u>	<u>3,432,306</u>
Total financial assets	<u>\$ 16,649,508</u>	<u>\$ 16,010,455</u>

As part of the Society's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures and other obligations come due. The ability to meet cash needs is highly dependent on funding from government agencies and the timely collection of accounts receivable. The Society has designed procedures to bill and collect from these payors as quickly as possible, however, this can sometimes be difficult to predict.

Should the Society need to, they can manage vendor relationships to extend payment terms, utilize their available line of credit, or request support from one of their related parties.

4. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES

Accounts receivable for the Society consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
School districts	\$ 1,307,584	\$ 1,195,371
Federal	-	94,117
State	4,007,090	4,224,527
County	47,913	25,618
Medicaid/MCO	244,626	430,661
Private pay	781,889	925,765
Grants	136,324	335,776
Other	<u>998,091</u>	<u>(159,434)</u>
	7,523,517	7,072,401
Less: Allowance for credit losses	<u>(163,022)</u>	<u>(112,837)</u>
	<u>\$ 7,360,495</u>	<u>\$ 6,959,564</u>

4. ACCOUNTS RECEIVABLE AND ALLOWANCE FOR CREDIT LOSSES (Continued)

Changes in the allowance for credit losses for the year ended June 30, 2024 by portfolio segment were as follows:

	Private Pay, Commercial, Other	Total
Beginning balance	\$ 112,837	\$ 112,837
Provision for credit loss	66,431	66,431
Write-offs	(16,246)	(16,246)
	<u>\$ 163,022</u>	<u>\$ 163,022</u>

At June 30, 2024, the Society's aging of accounts receivable used to estimate expected credit losses were as follows:

<u>Past due status</u>	<u>Amortized Cost Basis</u>	<u>Credit Loss Rate</u>	<u>Expected Credit Loss Estimate</u>
Current	\$ 5,258,749	0.06%	\$ 3,155
1-30 days	283,689	2.50%	7,092
31-60 days	339,545	11.51%	39,089
61-90 days	246,333	15.00%	36,950
More than 90 days	1,395,201	5.50%	76,736
	<u>\$ 7,523,517</u>		<u>\$ 163,022</u>

5. MORTGAGE NOTE RECEIVABLE

Mortgage note receivable consist of a non-interest-bearing mortgage secured by real estate and is payable in monthly installments over the life of the mortgage. The mortgage was entered into in May of 2022 for \$1,400,000, with a down payment of \$130,000 due at signing and \$4,166 monthly payments due over the life of the 60-month mortgage term. An additional down payment of \$150,000 is due at the 36 month and a balloon payment of \$870,040 is due at the 60-month period of the mortgage. Management has elected not to discount the mortgage due to its immaterial impact on the financial statements.

Maturities of the mortgage note receivable are as follows for the years ending June 30:

2025	\$ 199,992
2026	49,992
2027	<u>916,198</u>
	<u>\$ 1,166,182</u>

Annually, the Organization assesses creditworthiness and whether an adjustment to the allowance for credit losses is necessary. As of June 30, 2024, no allowance for credit loss was recorded. This is due to the adequacy of collateral and the history of payments received.

6. INVESTMENTS

Investments consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Investment Management Account:		
Cash equivalents	\$ 101,298	\$ 166,200
Certificates of deposit	1,574,269	-
Common stocks	2,534,879	2,245,452
Fixed income funds	1,189,040	1,020,654
Total investment management account	<u>5,399,486</u>	<u>3,432,306</u>
Restricted Gifts:		
Cash equivalents	4,027	6,925
Common Stocks	97,802	92,734
Fixed income funds	45,919	41,981
Total restricted gifts	<u>147,748</u>	<u>141,640</u>
DASNY Funding Project - Residence:		
U.S. Government	562,496	523,142
Total DASNY funding project	<u>562,496</u>	<u>523,142</u>
	<u>\$ 6,109,730</u>	<u>\$ 4,097,088</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Land	\$ 99,030	\$ 99,030
Buildings and improvements	23,535,422	23,431,692
Furniture and equipment	2,791,670	2,725,767
Vehicles	860,305	860,305
Construction in progress	2,642	94,633
	<u>27,289,069</u>	<u>27,211,427</u>
Less: accumulated depreciation	<u>(17,303,016)</u>	<u>(16,225,851)</u>
	<u>\$ 9,986,053</u>	<u>\$ 10,985,576</u>

8. LEASES

The Society has several leases for buildings and equipment. The operating leases expire at various times from through October 2030. The finance lease is for a building that expires in April 2028.

The components of total lease cost for the year ended June 30, were as follows:

	<u>2024</u>	<u>2023</u>
Finance lease cost:		
Amortization of ROU assets	\$ 208,944	\$ 379,274
Interest on lease liabilities	33,013	67,814
Operating lease cost	<u>196,845</u>	<u>193,655</u>
	<u>\$ 438,802</u>	<u>\$ 640,743</u>

Supplemental cash flow information related to leases for the year ended June 30 were as follows:

	<u>2024</u>	<u>2023</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 33,605	\$ 64,744
Financing cash flows from finance leases	\$ 197,395	\$ 352,006
Operating cash flows from operating leases	\$ 193,232	\$ 186,930

Other information related to leases as of June 30 was as follows:

	<u>2024</u>	<u>2023</u>
ROU assets obtained in exchange for lease obligations:		
Finance leases	-	2,544,480
Operating leases	-	808,863
Weighted-average remaining lease term:		
Finance leases	3.83	4.83
Operating leases	3.93	4.34
Weighted-average discount rate:		
Finance leases	3.60%	3.60%
Operating leases	3.03%	3.00%

8. LEASES (Continued)

Maturities of lease liabilities are as follows for the years ending June 30:

	<u>Finance Leases</u>	<u>Operating Leases</u>
2025	\$ 231,000	\$ 173,954
2026	231,000	138,591
2027	231,000	38,259
2028	192,500	36,370
2029	-	35,425
Thereafter	<u>-</u>	<u>47,233</u>
Total lease payments	885,500	469,832
Less: interest	<u>(57,060)</u>	<u>(25,598)</u>
Total lease liabilities	828,440	444,234
Less: Current portion	<u>(197,987)</u>	<u>(163,413)</u>
Long-term lease liability	<u>\$ 630,453</u>	<u>\$ 280,821</u>

9. LINE OF CREDIT

The Society has a revolving line of credit with a bank, totaling approximately \$3,000,000, which expires May 31, 2025. The line bears interest at the adjusted daily Secured Overnight Financing Rate (SOFR) index plus 0.10% index adjustment plus 2.15% of margin (7.56% and 7.31% at June 30, 2024 and 2023, respectively). There were no amounts outstanding at June 30, 2024 and 2023, respectively.

The Society has a revolving equipment line of credit with a bank, in amount of \$500,000, which expires on May 30, 2025. The line bears interest at 7.09% and 7.31% on June 30, 2024 and 2023, respectively. There was no outstanding balance as of June 30, 2024 and 2023, respectively.

10. LONG-TERM DEBT

	<u>2024</u>	<u>2023</u>
Loans Payable		
Loan agreement for clinical office renovations with Saratoga National Bank, with regular monthly payments of \$4,602, including interest at 6.75%. This loan will be amortized through 6/1/2038.	\$ 650,698	\$ 660,000
Loan agreement with Saratoga National Bank with regular monthly payments of \$13,153, including interest at 5.15%. This loan will be amortized through 7/1/2038.	<u>2,160,208</u>	<u>2,200,000</u>
	<u>2,810,906</u>	<u>2,860,000</u>
Total debt	2,810,906	2,860,000
Less closing costs, net	69,696	72,600
Less current installments	<u>57,160</u>	<u>49,094</u>
Total, long-term debt, net	<u>\$ 2,684,050</u>	<u>\$ 2,738,306</u>

Principal payments are due as follows for the years ending June 30, 2024:

2025	\$ 57,160
2026	60,406
2027	63,839
2028	67,068
2029	71,287
Thereafter	<u>2,491,146</u>
	<u>\$ 2,810,906</u>

Tax Exempt Bonds Payable

In June of 2008, the Dormitory Authority of the State of New York (DASNY) issued Series 2008 Bonds for a total of \$11,150,000. These bonds were issued as part Serial and part Term Bonds. The funds were used for the construction of a new Children's Home. Payment of principal and interest of these bonds is guaranteed by a municipal bond insurance policy issued by the State of New York Mortgage Agency (SONYMA).

The Series 2008 Bonds require an account control agreement by and among the Society, DASNY, the Trustee and the residential provider's bank. The agreement requires that allotments received from any school district, social service district or any other payor on accounts for residential services provided must be deposited into this account immediately upon receipt of such amounts. In addition, the provider is required to grant DASNY a security interest in the respective account.

10. LONG-TERM DEBT (Continued)

Tax Exempt Bonds Payable (Continued)

Each month an amount necessary to satisfy the Society's next due payment obligation will be automatically transferred to the Trustee to be utilized per the agreement. Monies on deposit in the account are available to the Society only after payment of amounts then due DASNY.

Bonds payable consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
Series Bonds: Maturing through June 1, 2028 with interest rates varying during these years beginning at 3.50% and ending at 5.00%.	\$ 1,533,260	\$ 1,965,497
Term Bond: 5.00% due June 1, 2038	2,560,000	2,560,000
Term Bond: 5.00% due June 1, 2038	<u>3,345,000</u>	<u>3,345,000</u>
Total Dormitory Authority Bonds	7,438,260	7,870,497
Premium on Issuance of Bonds	<u>71,007</u>	<u>76,505</u>
Total Tax Exempt Bonds Payable	7,509,267	7,947,002
Less: Unamortized debt issuance costs	<u>148,244</u>	<u>163,193</u>
Bonds Payable, net	<u>\$ 7,361,023</u>	<u>\$ 7,783,809</u>

Annual maturities of bonds payable for the years ending June 30, are as follows:

2025	\$ 375,497
2026	400,497
2027	415,497
2028	435,497
2029	460,497
Thereafter	<u>5,421,782</u>
Total	<u>\$ 7,509,267</u>

Interest Expense

Interest expense on all obligations for the years ended June 30, 2024 and 2023, was \$572,775 and \$476,926, respectively, including amortization of debt issuance costs of \$14,949 for the years ended June 30, 2024 and 2023, respectively.

11. RETIREMENT PLAN

The Society participates in the Northern Rivers Family Service's 401(K) Plan, a related party (see Note 15). The plan covers substantially all full-time employees of the Society that are 18 years of age and older with no years of service requirement. Employees who contribute to the plan and have met eligibility requirements are eligible for the Society's matching contribution that is discretionary up to 2% of an employee's compensation. The Society may also provide a discretionary contribution on behalf of employees meeting eligibility requirements. The Society's contribution for the years ended June 30, 2024 and 2023 were \$1,096,062 and \$996,839, respectively.

12. POST-RETIREMENT BENEFIT

During the year ended June 30, 2002, the Society approved a lifetime post-retirement benefit for its former Executive Director and spouse. The Society will provide a benefit for health and dental insurance equal to 50% of the cost. These benefits will be coordinated with Medicare benefits and any other federal health care. The benefits commenced July 1, 2003. An accrual of \$31,695 was made at June 30, 2003 to establish the estimated present value of these future benefit obligations. For accrual measurement purposes, a 10% annual rate of increase in the per capita cost of health care was assumed for the benefit period. In addition, an 8% projected discount factor was utilized for the present value computation. The benefit is unfunded. During the years ended June 30, 2024 and 2023, the Society amortized \$1,123 and \$1,153, respectively, of benefit, resulting in a balance of \$8,456 and \$9,579 for the present value of this future benefit obligation, which has been recorded as a liability in these financial statements.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30 consisted of the following:

	<u>2024</u>	<u>2023</u>
Income from these funds may be utilized for the benefit of the Organization *	\$ 11,974	\$ 11,974
Income from these funds is restricted to scholarships for children or parents of children enrolled in Northeast Parent and Child Society, Inc. programs *	115,846	115,846
Restricted investment income	52,719	37,457
Beneficial Interest in Perpetual Trusts *	<u>1,837,492</u>	<u>1,729,258</u>
	<u>\$ 2,018,031</u>	<u>\$ 1,894,535</u>

* Net assets with donor restriction to be maintained in perpetuity

14. FAIR VALUE MEASUREMENTS

The following assets are measured at fair value on a recurring basis at:

June 30, 2024

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
Money markets	\$ 1,234,959	\$ -	\$ -	\$ 1,234,959
Common stock	1,672,071	-	-	1,672,071
Mutual funds	105,325	-	-	105,325
Government debt securities	-	562,496	-	562,496
Beneficial interests in trusts	-	-	1,837,492	1,837,492
	<u>\$ 3,012,355</u>	<u>\$ 562,496</u>	<u>\$ 1,837,492</u>	<u>\$ 5,412,343</u>

June 30, 2023

	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>	Level 3 <u>Inputs</u>	<u>Total</u>
Money markets	\$ 173,125	\$ -	\$ -	\$ 173,125
Common stock	2,338,186	-	-	2,338,186
Mutual funds	1,062,635	-	-	1,062,635
Government debt securities	-	523,142	-	523,142
Beneficial interests in trusts	-	-	1,729,258	1,729,258
	<u>\$ 3,573,946</u>	<u>\$ 523,142</u>	<u>\$ 1,729,258</u>	<u>\$ 5,826,346</u>

Money markets, common stock, and mutual funds were valued based on quoted market prices of the investments on the last business day of the fiscal year. Investments in government debt securities are estimated based on quoted market prices of securities with similar characteristics. There were no changes to the valuation techniques during 2024 and 2023. The beneficial interest in perpetual trust was added to Level 3 due to a lack of observable market data of interest in the trust, prior year disclosures were adjusted accordingly.

15. RELATED PARTIES

Northern Rivers Family Services, Inc.

Northern Rivers Family Services, Inc. (the Organization) is the sole corporate member of the Society. The Organization provides Executive, Finance, HR, Communications, Quality Management, IT, Strategic Planning, and Development Functions.

Generally, all intercompany loans are non-interest bearing and payment is expected within 12-36 months, unless otherwise arranged. Intercompany loans are typically paid back within 30 days.

15. RELATED PARTIES (Continued)

Northern Rivers Family Services, Inc. (Continued)

The Society paid \$3,194,595 and \$3,021,279 in fees to Northern Rivers Family Services, Inc. during the years ended June 30, 2024 and 2023, respectively. Northern Rivers Family Services also paid rent to the Society for occupancy, equipment, telecommunications, and maintenance related services. The Society charged rent to Northern Rivers Family Services, Inc. in the amount of \$184,512 and \$193,188, for the years ended June 30, 2024 and 2023, respectively.

Parsons Child and Family Center

The Society is related through common control to Parsons Child and Family Center (Center).

Generally, all intercompany loans are non-interest bearing and payment is expected within 12-36 months, unless otherwise arranged.

The Society recorded expenses of \$125,000 for training services provided by Parsons Child and Family Center during both the years ended June 30, 2024 and 2023.

The Society also charged rent to Parsons Child and Family Center in the amount of \$178,469 and \$297,400, for the years ended June 30, 2024 and 2023, respectively. These amounts are included in rent income in the accompanying statement of activities. The Society incurred rent expense for the use of space at Parsons Child and Family Center in the amount of \$120,594 and \$97,171 for the years ended June 30, 2024 and 2023, respectively.

Unlimited Potential

The Society is related through common control to Unlimited Potential (Unlimited). Generally, all intercompany loans are non-interest bearing and payment is expected within 12-36 months, unless otherwise arranged.

The balances due to and from related parties consisted of the following at June 30:

	<u>2024</u>	<u>2023</u>
<u>Due From Related Party:</u>		
Northern Rivers Family Services, Inc.	\$ 56,031	\$ 85,069
Parson Child and Family Center	117,811	125,486
Unlimited Potential	<u>2,609</u>	<u>3,059</u>
	<u>\$ 176,451</u>	<u>\$ 213,614</u>
<u>Due To Related Party:</u>		
Parson Child and Family Center	\$ 47,219	\$ 54,507
Northern Rivers Family Services, Inc.	<u>119,416</u>	<u>120,150</u>
Total	<u>\$ 166,635</u>	<u>\$ 174,657</u>

16. COMMITMENTS AND CONTINGENCIES

Self-Funded Unemployment Insurance

The Society's Unemployment Compensation Insurance program is self-funded. Unemployment benefits that separated employees receive are determined by New York State statute and are administered by New York State Department of Labor (NYSDOL). The Society is billed quarterly by NYSDOL for benefits paid to former employees. Unemployment is budgeted annually based on prior year results. The Society incurred costs of \$18,012 and \$18,050 for 2024 and 2023, respectively.

Reimbursement Rates

The Society files financial reports annually with various New York State departments to report operating revenues, costs, statistical and other operating data. This information is utilized by the rate setting units to evaluate and adjust historical rates and to set future reimbursement rates. In addition, reimbursement rates are subject to audit by the New York State departments which provide funding. The potential financial impact of this process cannot be readily determined; therefore, no future obligation has been recognized in these financial statements.

Child Victims Act

On February 14, 2019, New York State signed into law the Child Victims Act (CVA), which became effective August 14, 2019. This legislation provides for the following:

- extends New York State's statute of limitations for child abuse claims,
- allows for criminal charges against sexual abusers of children until their victims turn 28 years of age, vs. the previous law which provided that right up to age 23,
- allows for civil actions against abusers, and institutions where they were abused, until their victims turn 55, and
- opens a window beginning on the effective date of August 14, 2019, permitting any victim of child abuse to take civil action, regardless of when the abuse occurred.

As a result of the passage of the CVA, through the date of this report, the Society has been notified or become aware of abuse related claims that have been or are likely to be filed against it. Aggregate demands for damages from these claims cannot be estimated at this time. During the timeframe of the alleged abuses the Society had a combination of commercial insurance coverage and self-insurance programs.

At present, the Society is not certain as to the amount of commercial coverage available to assist it in meeting its obligations for these matters. Accordingly, it is possible that the ultimate resolution of any litigation could have a material adverse impact on the Society's results of operations, liquidity, and financial position. In addition, it is reasonably possible that the ultimate number of lawsuits and/or claims could increase, and therefore any additional exposure cannot be predicted at this time.

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 26, 2024, which is the date the financial statements were available to be issued.

In September of 2024, the Boards of Directors of Unlimited Possibilities, Inc. and Unlimited Potential Properties, Inc. agreed to merge their operations into Northeast Parent and Child Society, Inc. The effective date is still to be determined but expected in fiscal year 2024/2025.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

Schedule I

SCHEDULE OF REVENUE AND FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2024
 (With Comparative Totals for 2023)

	2024										2023
	Residential Care	Family Foster Care	Prevention Services	Case Management Services	Behavioral Health Services	Respite Services	Education Services	M&G - Parent Org Charges	M&G - Other	Total	
REVENUE	\$ 9,230,499	\$ 10,782,227	\$ 4,303,617	\$ 3,913,187	\$ 1,958,180	\$ 17,413	\$ 7,364,867	\$ 178,769	\$ 924,281	\$ 38,673,040	\$ 38,655,817
FUNCTIONAL EXPENSES:											
Salaries	5,030,145	3,993,097	2,747,620	2,656,716	1,148,272	7,586	4,453,557	-	126,606	20,163,598	19,732,772
Employee health and retirement benefits	671,432	564,486	348,502	384,486	157,576	1,062	611,980	-	5,628	2,745,151	2,386,969
Payroll Taxes	453,610	375,950	255,107	230,007	104,222	1,335	446,507	-	12,062	1,878,801	1,898,712
Total compensation and benefits	6,155,186	4,933,533	3,351,229	3,271,209	1,410,070	9,984	5,512,044	-	144,296	24,787,550	24,018,453
Allowances - children	10,951	-	-	-	-	-	35,210	-	-	46,161	47,327
Allowances - parents	1,405	-	-	-	-	-	-	-	-	1,405	220
Credit loss expense	707	-	-	15,540	-	-	-	-	50,184	66,431	65,841
Auto and transportation	33,549	360,327	102,233	361,082	1,998	4,426	24,770	-	318	888,705	972,657
Bedding	6,127	981	585	1,079	310	84	1,164	-	10	10,341	16,503
Boarding home	-	3,108,519	-	-	-	-	-	-	-	3,108,519	3,283,250
Charges from parent organizations	-	-	-	-	-	-	-	3,010,083	-	3,010,083	2,828,090
Clothing	30,297	-	-	-	-	-	-	-	-	30,297	26,355
Conferences and administrative expense	7,789	14,342	4,126	107	2,197	-	9,811	5,452	190	44,013	43,014
Dues, licenses and permits	3,019	1,224	32	2,603	16	-	3,986	830	157	11,866	11,985
Food	282,665	-	-	-	-	-	-	-	-	282,665	267,023
Insurance	399,307	52,802	28,618	22,391	42,057	-	113,324	-	-	658,499	632,140
Interest	393,550	-	7,075	-	-	-	146,212	20,590	5,348	572,775	476,926
Legal and professional fees	18,421	6,628	-	-	47	-	-	-	-	25,095	83,693
Office supplies and expense	8,609	8,612	2,557	2,544	1,929	-	10,341	-	53	34,645	36,212
Miscellaneous	18,894	2,127	558	258	277	167	96,550	-	312	119,144	149,145
Postage and shipping	57	296	98	61	6	-	1,196	-	7	1,721	2,030
Publicity	133	171,781	174	-	23,026	-	-	-	-	195,114	116,987
Purchase of health services	18,170	13,305	1,838	-	27,958	-	5,434	-	-	66,705	126,365
Purchase of services - other	303,307	236,576	114,211	117,905	293,466	585	278,005	4,184	11,443	1,359,683	1,466,218
Recreation	76,341	383	4,081	2,470	1,287	-	66,294	-	-	150,857	122,083
Rent	-	150,886	85,434	89,724	-	-	-	14,096	24,286	364,426	339,944
Rent - furnishings and equipment	2,494	1,423	879	630	366	-	2,510	-	349	8,652	7,852
Rent - vehicles	-	37,446	-	-	-	-	-	-	-	37,446	64,427
Repair and Maintenance	3,494	1,875	2,419	1,203	1,103	-	8,456	-	2,752	21,303	22,393
Repair and Maintenance - vehicles	25,284	196	321	97	95	-	21,561	-	3,263	50,818	55,588
Scholarship awards	-	-	-	-	-	-	-	-	9,154	9,154	-
School expense	750	-	-	-	-	-	-	-	-	750	1,303
Software & Systems Expense	43,564	55,694	28	27,181	24,177	128	66,236	-	154,486	371,493	6,017
Staff development	5,189	6,595	940	1,218	944	-	1,690	-	-	16,575	1,579
Subscriptions and publications	241	1,120	-	-	49	-	40	-	-	1,450	333,455
Supplies and equipment	162,192	24,283	6,776	1,469	13,158	-	95,062	-	1,941	304,881	5,229
Supplies and equipment - medical	4,144	191	-	-	13	-	152	-	-	4,500	207,254
Telecommunications	34,529	45,851	27,732	34,082	7,619	-	32,273	7,971	5,334	195,391	180,604
Utilities and property taxes	132,530	45,319	19,322	13,726	14,377	-	91,143	-	19,149	335,564	313,338
Depreciation and amortization	590,479	20,547	63,927	5,922	24,852	-	405,061	131,390	62,603	1,304,781	1,334,638
Total operating expenses	8,773,375	9,302,865	3,825,194	3,972,503	1,891,394	15,373	7,028,524	3,194,595	495,637	38,499,459	37,666,137
Operating gain (loss)	\$ 457,124	\$ 1,479,362	\$ 478,423	\$ (59,316)	\$ 66,786	\$ 2,040	\$ 336,343	\$ (3,015,826)	\$ 428,644	\$ 173,581	\$ 989,680

The accompanying notes are an integral part of these schedules.