

NORTHEAST PARENT AND CHILD SOCIETY, INC. AND SUBSIDIARY

**Consolidated Financial Statements as of
June 30, 2025
Together with
Independent Auditor's Report**

INDEPENDENT AUDITOR'S REPORT

November 25, 2025

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

Opinion

We have audited the accompanying consolidated financial statements of Northeast Parent and Child Society, Inc. (a nonprofit organization) and its Subsidiary (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2025, 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Northeast Parent and Child Society, Inc. and Subsidiary as of June 30, 2025, 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 Subsidiary 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 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 Northeast Parent and Child Society, Inc. and Subsidiary's ability to continue as a going concern within one year after the date that the consolidated 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 consolidated 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 consolidated 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 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 Northeast Parent and Child Society, Inc. and Subsidiary'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 Northeast Parent and Child Society, Inc. and Subsidiary'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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 26, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, 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

(Continued)

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. Schedule I is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information in Schedules II and III is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position, change in net assets, and cash flows of the individual companies, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The 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 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 consolidated financial statements as a whole.

NORTHEAST PARENT AND CHILD SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2025

(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
ASSETS		
CURRENT ASSETS:		
Cash	\$ 6,780,074	\$ 3,308,516
Accounts receivable, net allowance for credit losses of \$238,377 and \$163,022 at June 30, 2025 and 2024, respectively	7,709,168	7,360,495
Mortgage note receivable, current portion	199,992	199,992
Accounts receivable from grants and contributions	121,623	111,222
Accounts receivable, other	414,700	93,346
Due from affiliates	202,008	176,451
Investments	4,281,865	5,399,486
Prepaid expenses and inventory	<u>53,644</u>	<u>52,160</u>
Total current assets	19,763,074	16,701,668
INVESTMENTS, restricted	695,502	710,244
PROPERTY AND EQUIPMENT, net	10,777,752	9,986,053
FINANCE LEASE RIGHT-OF-USE ASSETS	-	800,951
OPERATING LEASE RIGHT-OF-USE ASSETS	941,439	435,540
OTHER ASSETS:		
Mortgage note receivable, net of current portion	916,198	966,190
Deposits	8,177	8,177
Beneficial interest in trusts	<u>1,948,046</u>	<u>1,837,492</u>
Total other assets	<u>2,872,421</u>	<u>2,811,859</u>
	<u>\$ 35,050,188</u>	<u>\$ 31,446,315</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	\$ 572,030	\$ 582,745
Due to affiliates	75,363	166,635
Accrued salaries and expenses	3,388,126	3,065,918
Refundable advances	1,510,887	21,175
Deferred revenue	403,546	366,856
Deferred revenue from grants and contributions	21,871	17,088
Operating lease liability, current portion	205,328	163,413
Finance lease liability, current portion	-	197,987
Loans payable, current portion	117,319	57,160
Bonds payable, current portion	<u>400,497</u>	<u>375,497</u>
Total current liabilities	<u>6,694,967</u>	<u>5,014,474</u>
LONG-TERM LIABILITIES:		
Operating lease liability, net of current portion	744,187	280,821
Finance lease liability, net of current portion	-	630,453
Loans payable, net of current portion	2,797,974	2,684,050
Bonds payable, net of current portion	<u>6,677,215</u>	<u>7,062,763</u>
Total long-term liabilities	<u>10,219,376</u>	<u>10,658,087</u>
Total liabilities	<u>16,914,343</u>	<u>15,672,561</u>
NET ASSETS		
Without donor restrictions	15,989,704	13,755,723
With donor restrictions	<u>2,146,141</u>	<u>2,018,031</u>
Total net assets	<u>18,135,845</u>	<u>15,773,754</u>
	<u>\$ 35,050,188</u>	<u>\$ 31,446,315</u>

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2025

(With Comparative Totals for 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	
SUPPORT AND REVENUE:				
Fee for service revenue	\$ 39,335,050	\$ -	\$ 39,335,050	\$ 37,065,701
Grants and contributions revenue	461,199	-	461,199	446,308
Fundraising	141,018	-	141,018	84,264
Change in value of beneficial interest in trusts	-	110,553	110,553	108,235
Rent	195,725	-	195,725	178,469
Fringe benefit recovery	232,054	-	232,054	119,328
Miscellaneous	37,798	-	37,798	42,051
Total support and revenue	40,402,844	110,553	40,513,397	38,044,356
EXPENSE:				
Program service	36,415,641	-	36,415,641	34,809,228
Management and general - parent org.	3,148,284	-	3,148,284	3,194,595
Management and general - other	221,966	-	221,966	495,637
Total expense	39,785,891	-	39,785,891	38,499,459
OPERATING GAIN (LOSS)	616,953	110,553	727,506	(455,103)
NON-OPERATING REVENUE (EXPENSE):				
Investment income (loss), net	663,163	17,557	680,720	629,289
Equity transfer - Unlimited Possibilities, Inc.	972,872	-	972,872	-
State paid depreciation	(18,092)	-	(18,092)	-
Gain (loss) on disposition of property and equipment	(915)	-	(915)	(605)
Total non-operating revenue (expense)	1,617,028	17,557	1,634,585	628,684
CHANGE IN NET ASSETS	2,233,981	128,110	2,362,091	173,581
NET ASSETS - beginning of year	13,755,723	2,018,031	15,773,754	15,600,173
NET ASSETS - end of year	\$ 15,989,704	\$ 2,146,141	\$ 18,135,845	\$ 15,773,754

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2025

(With Comparative Totals for 2024)

	<u>2025</u>	<u>2024</u>
CASH FLOW FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,362,091	\$ 173,581
Adjustments to reconcile change in net assets to net cash flow from operating activities:		
Depreciation	1,100,465	1,077,985
Amortization of bond premium	(5,497)	(5,497)
Amortization of financing lease	69,648	206,039
Amortization of closing costs	5,808	2,904
Noncash operating lease expense	193,119	200,982
Interest expense - bond issuance costs	17,853	20,758
Loss (gain) on disposition of property and equipment	915	605
Loss (gain) on investments	(403,144)	(340,530)
Loss (gain) on termination of finance lease	(29,544)	-
Change in value of beneficial interest in trusts	(110,553)	(108,235)
Equity transfer - Unlimited Possibilities, Inc.	(972,872)	-
Credit loss expense	75,355	66,431
Changes in:		
Accounts receivable	(424,028)	(467,362)
Accounts receivable from grants and contributions	(10,401)	14,350
Accounts receivable, other	(321,354)	(74,003)
Due from affiliate	(25,557)	37,163
Prepaid expenses and inventory	(1,484)	3,065
Operating leases	(193,737)	(197,370)
Accounts payable	50,545	(163,182)
Deferred revenue	26,109	-
Deferred revenue from grants and contributions	4,783	(2,722)
Due to affiliate	(91,272)	(8,022)
Accrued salaries and expenses	322,208	173,723
Refundable advances	1,489,712	(77,561)
	<u>3,129,168</u>	<u>533,102</u>
Net cash flow from operating activities		
CASH FLOW FROM INVESTING ACTIVITIES:		
Payments received on mortgage note receivable	49,992	54,158
Purchase of property and equipment	(786,146)	(81,709)
Proceeds from sale of property and equipment	-	-
Cash obtained from merger	70,516	-
Purchase of investments	(2,054,050)	(3,133,982)
Proceeds from sale of investments	3,589,556	1,461,870
	<u>869,868</u>	<u>(1,699,663)</u>
Net cash flow from investing activities		
CASH FLOW FROM FINANCING ACTIVITIES:		
Borrowings of loans payable	-	-
Repayment of loans payable	(85,961)	(49,094)
Repayment of bonds payable	(378,401)	(360,810)
Repayment of financing lease obligations	(63,116)	(195,083)
	<u>(527,478)</u>	<u>(604,987)</u>
Net cash flow from financing activities		
CHANGE IN CASH	3,471,558	(1,771,548)
CASH - beginning of year	<u>3,308,516</u>	<u>5,080,064</u>
CASH - end of year	<u>\$ 6,780,074</u>	<u>\$ 3,308,516</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
ROU assets obtained in exchange for new operating leases	<u>\$ 699,018</u>	<u>\$ -</u>
Interest Paid	<u>\$ 640,095</u>	<u>\$ 798,299</u>
Purchase of property and equipment included in Accounts payable	<u>\$ 61,260</u>	<u>\$ 2,642</u>

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC. AND SUBSIDIARY

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025**

(With Comparative Totals for 2024)

	<u>Program</u>	<u>Management and General</u>	<u>2025 Total</u>	<u>2024 Total</u>
Salaries	\$ 21,452,891	\$ 37,868	\$ 21,490,759	\$ 20,163,598
Employee health and retirement benefits	2,745,003	4,981	2,749,984	2,745,151
Payroll taxes	<u>2,009,452</u>	<u>4,390</u>	<u>2,013,842</u>	<u>1,878,801</u>
 Total compensation and benefits	 <u>26,207,346</u>	 <u>47,239</u>	 <u>26,254,585</u>	 <u>24,787,550</u>
 Boarding home	 3,140,770	 -	 3,140,770	 3,108,519
Charges from parent organization	-	3,027,516	3,027,516	3,010,083
Purchases of services	1,567,745	66,024	1,633,769	1,426,388
Depreciation and amortization	1,085,151	85,453	1,170,604	1,304,781
Auto and transportation	875,926	275	876,201	888,705
Insurance	675,524	32,102	707,626	658,499
Interest	545,183	7,391	552,574	572,775
Rent	417,844	25,620	443,464	410,524
Supplies and equipment	401,207	2,297	403,504	309,381
Utilities and property taxes	310,812	15,472	326,284	335,564
Food	272,818	-	272,818	282,665
Telecommunications	200,915	4,534	205,449	195,391
Recreation	194,689	-	194,689	150,857
Software and systems	112,146	49	112,195	371,493
Credit loss	-	75,355	75,355	66,431
Publicity	50,170	-	50,170	195,114
Repair and maintenance	79,743	3,134	82,877	72,120
Legal and professional fees	54,501	456	54,957	25,095
Allowances - children & parents	49,546	-	49,546	47,566
Office supplies	31,437	118	31,555	34,645
Clothing	30,769	-	30,769	30,297
Miscellaneous	21,466	2,307	23,773	119,144
Conferences and administrative	50,823	(27,781)	23,042	44,013
State paid depreciation	18,092	-	-	-
Dues, licenses and permits	12,541	17	12,558	11,866
Bedding	11,537	14	11,551	10,341
Staff development	7,674	-	7,674	16,575
Postage and shipping	6,896	8	6,904	1,721
Scholarship awards	-	2,650	2,650	9,154
Subscription and publications	462	-	462	1,450
School	<u>-</u>	<u>-</u>	<u>-</u>	<u>750</u>
	 <u>\$ 36,433,733</u>	 <u>\$ 3,370,250</u>	 <u>\$ 39,803,983</u>	 <u>\$ 38,499,459</u>

The accompanying notes are an integral part of these statements.

NORTHEAST PARENT AND CHILD SOCIETY, INC. AND SUBSIDIARY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2025

1. THE ORGANIZATION

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.

Unlimited Potential Properties, Inc. is a non-profit organization operating in Saratoga Springs, New York with a purpose to own and operate real property that it currently leases to the Society, as well as unrelated third parties. It is Unlimited Potential Properties, Inc.'s intention to utilize the annual excess of revenue over expenses towards reducing existing debt or to remit it to the Society. During 2025, the Society became the sole corporate member of Unlimited Potential Properties, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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.

Cash

Cash includes bank demand deposit accounts and investments in highly liquid debt instruments with an initial maturity of three months or less. The Organization's cash balances may at times exceed federally insured limits. The Organization 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 Organization'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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable and Allowance for Credit Losses (Continued)

The Organization's accounts receivables are primarily derived from the State. The Organization 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 Organization'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 Organization 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, 2025 and 2024.

Investments

The Organization 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

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 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 an estimated useful life in excess of one year 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 in the consolidated statement of activities.

Leases

Lessee

The Organization determines if an arrangement is a lease at inception. In evaluating contracts to determine if they qualify as a lease, the Organization considers factors such as if the Organization 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Lessee

Right-of-use (ROU) assets represent the Organization'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 Organization is reasonably certain to exercise these options.

For all underlying classes of assets, the Organization 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 Organization is reasonably certain to exercise. The Organization 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 Organization 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.

Lessor

The Organization determines if an arrangement is a lease at inception. The Organization reassesses the determination of whether an arrangement is a lease if the terms and condition of the contract are changed.

The Organization recognizes revenue on a straight-line basis over the lease term which is representative of the pattern in which the benefit is expected to be derived for use of the underlying asset. Variable lease payments are generally immaterial and consist of items such as late fees, which are charged to tenants in certain circumstances. The Organization recognizes variable lease payments as revenue in the period incurred.

The Organization elected for all classes of underlying assets to not separate the lease and nonlease components of a contract and to account for as a single lease component. The single lease component is accounted for under US GAAP.

At lease commencement, the Organization estimates the residual value of the leased asset at the end of the lease term, considering the asset's remaining useful life, expected market condition, and expected use (e.g., sell or lease). The Organization's ability to realize the residual value at the end of the lease term could be adversely affected by unusual wear and tear. This risk is managed through periodic inspection for condition and possible misuse. In addition, the Organization monitors the assets for market value decline, which also assists in the estimation process for future leases.

Long-Lived Assets

The Organization 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Lived Assets (Continued)

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 2025 and 2024.

Beneficial Interest in Perpetual Trusts

The Organization is the beneficiary of five perpetual trusts. The Organization 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.

Refundable Advances

The Organization receives advances from New York State or county 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, 2025 and 2024, 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, 2023 was \$366,856.

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.

Financial Reporting

The Organization 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 Organization's operating activities and are not subject to donor-imposed stipulations.

Net assets with donor restrictions have donor-imposed restrictions that permit the Organization to use up or expend the donated assets as specified. This restriction is satisfied by the passage of time or by actions of the Organization. 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 Organization 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 Organization satisfies their performance obligations under contracts by transferring services to clients at a point in time. The Organization's performance obligations are to provide residential, educational, and therapeutic services. Contracts include a unilateral right to terminate by the client after each day without penalty. Therefore, each day a client receives service is treated as a separate contract and performance obligation. Additionally, the Organization has a separate, distinct performance obligation for certain services such as 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 Organization '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. Investment income and other non-operating items are classified as non-operating income or expense.

Contributions

The Organization 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 Organization 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 Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. The Organization reports donor restricted contributions as unrestricted support provided that the restrictions are met in the same year the contributions are received.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributed Nonfinancial Assets

Donated materials and supplies are recorded as contributions at estimated fair value at the date of gift. The Organization 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.

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 Organization'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 Organization 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 Organization could invest.

Functional Allocation of Expenses

The Organization'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.

Unlimited Potential Properties, Inc. is a not-for-profit corporation that has been recognized as tax-exempt pursuant to Section 501(c)(2) of the Internal Revenue Code. Rental of warehouse space to third parties of Unlimited Potential Properties, Inc. is considered to be unrelated business income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class or functional expense 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 Organization's financial statements as of and for the year ended June 30, 2024, from which the summarized information was derived.

3. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization is substantially supported by grants and support from New York State funding sources. The following reflects the Organization'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>2025</u>	<u>2024</u>
Cash	\$ 6,780,074	\$ 3,308,516
Accounts receivable, net	8,647,491	7,941,506
Investments	4,281,865	5,399,486
Investments, restricted	695,502	710,244
Beneficial interest in trusts	<u>1,948,046</u>	<u>1,837,492</u>
	22,352,978	19,197,244
Less: Financial assets unavailable for general expenditures within one year, due to:		
Net assets with donor restrictions	<u>(2,146,141)</u>	<u>(2,018,031)</u>
	<u>\$ 20,206,837</u>	<u>\$ 17,179,213</u>

As part of the Organization'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 Organization has designed procedures to bill and collect from these payors as quickly as possible, however, this can sometimes be difficult to predict.

Should the Organization 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 Organization consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
School districts	\$ 1,175,079	\$ 1,228,550
Federal	48,365	171,419
County	5,524,442	4,937,060
Medicaid/MCO	1,113,490	1,120,187
Private pay	59,197	49,239
Other	<u>26,972</u>	<u>17,062</u>
	7,947,545	7,523,517
Less: Allowance for credit losses	<u>(238,377)</u>	<u>(163,022)</u>
	<u>\$ 7,709,168</u>	<u>\$ 7,360,495</u>

Changes in the allowance for credit losses by portfolio segment to include private pay, commercial, and other payors were as follows for the year ended June 30:

	<u>2025</u>	<u>2024</u>
Beginning balance	\$ 163,022	\$ 112,837
Provision for credit loss	75,355	66,431
Write-offs	-	(16,246)
	<u>\$ 238,377</u>	<u>\$ 163,022</u>

At June 30, 2025, the Organization's aging of accounts receivable used to estimate expected credit losses were as follows:

<u>Past due status</u>	<u>Amortized</u> <u>Cost Basis</u>	<u>Credit Loss</u> <u>Rate</u>	<u>Expected Credit</u> <u>Loss Estimate</u>
Current	\$ 4,605,532	0.06%	\$ 2,771
1-30 days	316,519	2.50%	7,913
31-60 days	595,238	11.53%	68,631
61-90 days	267,319	15.00%	40,098
More than 90 days	<u>2,162,937</u>	5.50%	<u>118,964</u>
	<u>\$ 7,947,545</u>		<u>\$ 238,377</u>

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

At June 30, 2024, the Organization'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, which was extended to November 2025, 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:

2026	\$ 199,992
2027	49,992
2028	866,206
	<u>\$ 1,116,190</u>

Annually, the Organization assesses creditworthiness and whether an adjustment to the allowance for credit losses is necessary. As of June 30, 2025 and 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>2025</u>	<u>2024</u>
Investment Management Account:		
Cash equivalents	\$ 223,386	\$ 101,298
Certificates of deposit	-	1,574,269
Common stocks	2,841,577	2,534,879
Fixed income funds	<u>1,216,902</u>	<u>1,189,040</u>
Total investment management account	<u>4,281,865</u>	<u>5,399,486</u>
Restricted Gifts:		
Cash equivalents	6,000	4,027
Common Stocks	109,659	97,802
Fixed income funds	<u>46,995</u>	<u>45,919</u>
Total restricted gifts	<u>162,654</u>	<u>147,748</u>
DASNY Funding Project - Residence:		
U.S. Government	<u>532,848</u>	<u>562,496</u>
Total DASNY funding project	<u>532,848</u>	<u>562,496</u>
	 <u>\$ 4,977,367</u>	 <u>\$ 6,109,730</u>

7. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Land	\$ 559,030	\$ 99,030
Buildings and improvements	25,353,151	23,535,422
Furniture and equipment	3,082,586	2,791,670
Vehicles	989,769	860,305
Construction in progress	<u>-</u>	<u>2,642</u>
	29,984,536	27,289,069
Less: accumulated depreciation	<u>(19,206,784)</u>	<u>(17,303,016)</u>
	<u>\$ 10,777,752</u>	<u>\$ 9,986,053</u>

8. LEASES

The Organization has several leases for buildings and equipment. The operating leases expire at various times from through December 2034. The finance lease was for a building that expired in April 2028 but was terminated during the year ended June 30, 2025.

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

	<u>2025</u>	<u>2024</u>
Finance lease cost:		
Amortization of ROU assets	\$ 69,648	\$ 208,944
Interest on lease liabilities	9,407	33,013
Operating lease cost	<u>221,615</u>	<u>196,845</u>
	<u>\$ 300,670</u>	<u>\$ 438,802</u>

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

	<u>2025</u>	<u>2024</u>
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	\$ 11,885	\$ 33,605
Financing cash flows from finance leases	\$ 65,115	\$ 197,395
Operating cash flows from operating leases	\$ 215,824	\$ 193,232

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

	<u>2025</u>	<u>2024</u>
ROU assets obtained in exchange for lease obligations:		
Operating leases	699,018	-
Weighted-average remaining lease term:		
Finance leases	-	3.83
Operating leases	7.38	3.93
Weighted-average discount rate:		
Finance leases	0.00%	3.60%
Operating leases	4.09%	3.03%

8. LEASES (Continued)

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

	Operating <u>Leases</u>
2026	\$ 239,396
2027	139,431
2028	123,349
2029	112,321
2030	114,721
Thereafter	<u>379,443</u>
Total lease payments	1,108,661
Less: interest	<u>(159,146)</u>
Total lease liabilities	949,515
Less: Current portion	<u>(205,328)</u>
Long-term lease liability	<u><u>\$ 744,187</u></u>

9. LINE OF CREDIT

The Organization has a revolving line of credit with a bank, totaling approximately \$3,000,000, which expires May 31, 2026. The line bears interest at the adjusted daily Secured Overnight Financing Rate (SOFR) index plus 0.10% index adjustment plus 2.15% of margin (4.4125% and 7.56% at June 30, 2025 and 2024, respectively). There were no amounts outstanding at June 30, 2025 and 2024, respectively.

10. LONG-TERM DEBT

	<u>2025</u>	<u>2024</u>
Loans Payable		
Loan agreement for clinical office renovations with a bank, with regular monthly payments of \$4,602, including interest at 6.75%. This loan will be amortized through 6/1/2038.	\$ 639,667	\$ 650,698
Loan agreement with a bank with regular monthly payments of \$13,153, including interest at 5.15%. This loan will be amortized through 7/1/2038.	2,114,079	2,160,208
Mortgage note payable with a bank in monthly installments of \$5,696 including interest at 5.5% through November 30, 2023 followed by 63 monthly installments of principal and interest at 1% above the bank's base lending rate of 7.25% through March 30, 2029. This note is secured by a first mortgage on property and improvements at 36 Cady Hill Boulevard, Saratoga Springs, NY, as well as all accounts, accounts receivable, furniture, and equipment.	<u>233,814</u>	<u>-</u>
	<u>2,987,560</u>	<u>2,810,906</u>
Total debt	2,987,560	2,810,906
Less closing costs, net	72,267	69,696
Less current installments	<u>117,319</u>	<u>57,160</u>
Total, long-term debt, net	<u>\$ 2,797,974</u>	<u>\$ 2,684,050</u>

The unamortized issuance costs were \$133,295 and \$148,244 at June 30, 2025 and 2024, 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, 2025 and 2024.

10. LONG-TERM DEBT (Continued)

Principal payments are due as follows for the years ending June 30, 2025:

2026	\$	117,319
2027		124,008
2028		130,669
2029		124,418
2030		75,348
Thereafter		<u>2,415,798</u>
	\$	<u><u>2,987,560</u></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 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 Organization, 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.

Each month an amount necessary to satisfy the Organization'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 Organization only after payment of amounts then due DASNY.

Bonds payable consisted of the following at June 30:

	<u>2025</u>	<u>2024</u>
Series Bonds: Maturing through June 1, 2028 with interest rates varying during these years beginning at 3.50% and ending at 5.00%.	\$ 1,172,712	\$ 1,533,260
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	7,077,712	7,438,260
Premium on Issuance of Bonds	<u>65,510</u>	<u>71,007</u>
Total Tax Exempt Bonds Payable	7,143,222	7,509,267
Less: Unamortized debt issuance costs	<u>133,295</u>	<u>148,244</u>
Bonds Payable, net	<u><u>\$ 7,009,927</u></u>	<u><u>\$ 7,361,023</u></u>

10. LONG-TERM DEBT (Continued)

Tax Exempt Bonds Payable (Continued)

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

2026	\$	400,497
2027		415,497
2028		435,497
2029		460,497
2030		485,497
Thereafter		<u>4,945,737</u>
Total	\$	<u><u>7,143,222</u></u>

Interest Expense

Interest expense on all obligations for the years ended June 30, 2025 and 2024, was \$552,574 and \$572,775, respectively, including amortization of debt issuance costs of \$14,949 for the years ended June 30, 2025 and 2024, respectively.

11. RETIREMENT PLAN

The Organization 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 Organization 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 Organization's matching contribution that is discretionary up to 2% of an employee's compensation. The Organization may also provide a discretionary contribution on behalf of employees meeting eligibility requirements. The Organization's contribution for the years ended June 30, 2025 and 2024 were \$1,004,292 and \$1,096,062, respectively.

12. POST-RETIREMENT BENEFIT

During the year ended June 30, 2002, the Organization approved a lifetime post-retirement benefit for its former Executive Director and spouse. The Organization 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, 2025 and 2024, the Organization amortized \$933 and \$1,123, respectively, of benefit, resulting in a balance of \$7,523 and \$8,456 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>2025</u>	<u>2024</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	70,275	52,719
Beneficial Interest in Perpetual Trusts *	<u>1,948,046</u>	<u>1,837,492</u>
	<u>\$ 2,146,141</u>	<u>\$ 2,018,031</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, 2025

	Level 1	Level 2	Level 3	<u>Total</u>
Money markets	\$ 229,386	\$ -	\$ -	\$ 229,386
Common stock	2,951,236	-	-	2,951,236
Mutual funds	1,263,897	-	-	1,263,897
Government debt securities	-	532,848	-	532,848
Beneficial interests in trusts	-	-	1,948,046	1,948,046
	<u>\$ 4,444,519</u>	<u>\$ 532,848</u>	<u>\$ 1,948,046</u>	<u>\$ 6,925,413</u>

June 30, 2024

	Level 1	Level 2	Level 3	<u>Total</u>
Money markets	\$ 105,325	\$ -	\$ -	\$ 105,325
Common stock	2,632,681	-	-	2,632,681
Mutual funds	1,234,959	-	-	1,234,959
Government debt securities	-	562,496	-	562,496
Beneficial interests in trusts	-	-	1,837,492	1,837,492
	<u>\$ 3,972,965</u>	<u>\$ 562,496</u>	<u>\$ 1,837,492</u>	<u>\$ 6,372,953</u>

14. FAIR VALUE MEASUREMENTS (Continued)

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 2025 and 2024. 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 Organization. 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.

The Organization paid \$3,148,284 and \$3,194,595 in fees to Northern Rivers Family Services, Inc. during the years ended June 30, 2025 and 2024, respectively. Northern Rivers Family Services also paid rent to the Organization for occupancy, equipment, telecommunications, and maintenance related services. The Organization charged rent to Northern Rivers Family Services, Inc. in the amount of \$120,768 and \$184,512, for the years ended June 30, 2025 and 2024, respectively.

Parsons Child and Family Center

The Organization 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 Organization recorded expenses of \$125,000 for training services provided by Parsons Child and Family Center during both the years ended June 30, 2025 and 2024.

The Organization also charged rent to Parsons Child and Family Center in the amount of \$132,836 and \$178,469, for the years ended June 30, 2025 and 2024, respectively. These amounts are included in rent income in the accompanying statement of activities. The Organization incurred rent expense for the use of space at Parsons Child and Family Center in the amount of \$136,376 and \$120,594 for the years ended June 30, 2025 and 2024, respectively.

15. RELATED PARTIES (Continued)

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

	<u>2025</u>	<u>2024</u>
<u>Due From Related Party:</u>		
Northern Rivers Family Services, Inc.	\$ 78,833	\$ 56,031
Parson Child and Family Center	123,175	117,811
Unlimited Potential	-	2,609
Temporarily Restricted Fund	<u>1,000</u>	<u>-</u>
	<u>\$ 203,008</u>	<u>\$ 176,451</u>
<u>Due To Related Party:</u>		
Parson Child and Family Center	\$ 47,809	\$ 47,219
Northern Rivers Family Services, Inc.	<u>27,554</u>	<u>119,416</u>
Total	<u>\$ 75,363</u>	<u>\$ 166,635</u>

16. COMMITMENTS AND CONTINGENCIES

Self-Funded Unemployment Insurance

The Organization'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 Organization is billed quarterly by NYSDOL for benefits paid to former employees. Unemployment is budgeted annually based on prior year results. The Organization incurred costs of \$4,767 and \$18,012 for 2025 and 2024, respectively.

Reimbursement Rates

The Organization 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.

During 2025, the Society received notice of changes to prior year tuition rates as part of the New York State Education Department's reconciliation process. The final impact of certain rate changes is currently being evaluated, and any adjustments resulting from the finalization of these rates will be recognized and recorded in the period in which they are determined.

16. COMMITMENTS AND CONTINGENCIES (Continued)

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 Organization 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 Organization had a combination of commercial insurance coverage and self-insurance programs.

At present, the Organization 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 Organization'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.

Power Agreement

Unlimited Potential Properties, Inc. entered into a twenty-year power purchase agreement with an unrelated third party through December 2034. The agreement allows Unlimited Potential Properties, Inc. to purchase power generated by said party's solar equipment installed at the 36 Cady Hill Boulevard Facility. Unlimited Potential Properties, Inc. is charged a fixed amount each month, which is annually adjusted by 1.75% pursuant to the agreement.

17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through November 25, 2025, which is the date the financial statements were available to be issued.

NORTHEAST PARENT AND CHILD SOCIETY, INC.

Schedule I

SCHEDULE OF REVENUE AND FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2025
(With Comparative Totals for 2024)

	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 Northeast Parent and Child Society, Inc.	Unlimited Potential Properties	2025	2024
REVENUE	\$ 10,391,711	\$ 10,667,556	\$ 4,595,475	\$ 4,232,844	\$ 2,388,870	\$ 33,493	\$ 7,812,620	\$ 171,135	\$ 1,835,359	\$ 42,129,063	\$ 37,011	\$ 42,166,074	\$ 38,673,040
FUNCTIONAL EXPENSES:													
Salaries	5,690,532	4,227,247	2,781,535	2,589,716	1,283,218	18,702	4,861,941	-	37,868	21,490,759	-	21,490,759	20,163,598
Employee health and retirement benefits	744,019	543,302	353,878	318,808	161,654	2,414	620,928	-	4,981	2,749,984	-	2,749,984	2,745,151
Payroll Taxes	532,573	424,906	283,741	250,057	102,568	1,973	413,632	-	4,390	2,013,842	-	2,013,842	1,878,801
Total compensation and benefits	6,967,124	5,195,457	3,419,154	3,158,581	1,547,440	23,089	5,896,501	-	47,239	26,254,585	-	26,254,585	24,787,550
Allowances - children	11,089	-	-	-	-	-	38,442	-	-	49,531	-	49,531	46,161
Allowances - parents	15	-	-	-	-	-	-	-	-	15	-	15	1,405
Credit loss expense	-	-	-	-	-	-	-	-	75,355	75,355	-	75,355	66,431
Auto and transportation	31,796	336,125	138,120	345,086	759	5,759	18,281	-	275	876,201	-	876,201	888,705
Bedding	7,210	980	577	1,062	311	83	1,314	-	14	11,551	-	11,551	10,341
Boarding home	575	3,140,195	-	-	-	-	-	-	-	3,140,770	-	3,140,770	3,108,519
Charges from parent organizations	-	-	-	-	-	-	-	3,027,516	-	3,027,516	-	3,027,516	3,010,083
Clothing	30,769	-	-	-	-	-	-	-	-	30,769	-	30,769	30,297
Conferences and administrative expense	15,050	16,300	4,971	1,420	3,965	-	8,569	(28,264)	483	22,494	-	22,494	44,013
Discretionary Funds	-	-	40	-	-	-	-	-	-	40	-	40	-
Dues, licenses and permits	3,015	393	67	3,238	18	-	5,810	-	17	12,558	-	12,558	11,866
Food	272,505	8	-	283	-	-	22	-	-	272,818	-	272,818	282,665
Insurance	241,717	106,774	82,827	70,351	32,843	666	140,346	27,751	4,351	707,626	-	707,626	658,499
Interest	378,125	-	2,016	-	-	-	155,902	7,391	-	543,434	9,140	552,574	572,775
Legal and professional fees	39,605	13,610	-	1,286	-	-	-	456	-	54,957	-	54,957	25,095
Office supplies and expense	7,781	5,509	1,765	2,143	2,164	-	10,215	-	118	29,695	1,860	31,555	34,645
Miscellaneous	10,888	2,692	168	337	(289)	-	7,670	2,407	(100)	23,773	-	23,773	119,144
Postage and shipping	90	442	41	5,446	9	-	868	-	8	6,904	-	6,904	1,721
Publicity	167	49,454	-	-	549	-	-	-	-	50,170	-	50,170	195,114
Purchase of health services	4,291	4,291	1,430	-	178,212	-	34,096	-	-	222,320	-	222,320	66,705
Purchase of services - other	283,483	259,805	144,541	179,759	221,725	472	255,640	51,477	14,547	1,411,449	-	1,411,449	1,359,683
Recreation	94,562	1,044	8,840	2,997	1,733	-	85,513	-	-	194,689	-	194,689	150,857
Rent	-	166,641	133,430	79,544	-	-	-	2,829	22,384	404,828	-	404,828	364,426
Rent - furnishings and equipment	2,801	1,638	2,750	2,650	476	-	1,859	-	407	12,581	-	12,581	8,652
Rent - vehicles	-	26,055	-	-	-	-	-	-	-	26,055	-	26,055	37,446
Repair and Maintenance	3,524	2,499	3,011	2,519	622	-	8,649	-	2,836	23,660	-	23,660	21,303
Repair and Maintenance - vehicles	24,782	686	2,555	4,022	312	-	26,562	-	298	59,217	-	59,217	50,818
Sales Taxes	-	-	-	508	-	-	-	-	-	508	-	508	-
Scholarship awards	-	-	-	-	-	-	-	-	2,650	2,650	-	2,650	9,154
School expense	-	-	-	-	-	-	-	-	-	-	-	-	750
Software & Systems Expense	12,007	20,872	144	17,703	26,517	29	34,874	-	49	112,195	-	112,195	371,493
Staff development	992	2,676	1,627	434	875	-	1,070	-	-	7,674	-	7,674	16,575
Subscriptions and publications	44	397	21	-	-	-	-	-	-	462	-	462	1,450
Supplies and equipment	212,675	29,357	19,802	3,271	3,232	-	128,237	-	2,272	398,846	-	398,846	304,881
Supplies and equipment - medical	3,133	1,227	34	28	31	-	180	-	25	4,658	-	4,658	4,500
Telecommunications	48,486	49,091	35,401	35,601	7,579	-	24,757	1,071	3,463	205,449	-	205,449	195,391
Utilities and property taxes	115,208	47,599	27,313	26,901	14,154	-	79,637	-	15,472	326,284	-	326,284	335,564
Depreciation and amortization	577,511	23,008	38,477	15,610	25,352	-	398,322	55,650	29,803	1,163,733	24,963	1,188,696	1,304,781
Total operating expenses	9,401,020	9,504,825	4,069,122	3,960,780	2,068,589	30,098	7,363,336	3,148,284	221,966	39,768,020	35,963	39,803,983	38,499,459
Operating gain (loss)	\$ 990,691	\$ 1,162,731	\$ 526,353	\$ 272,064	\$ 320,281	\$ 3,395	\$ 449,284	\$ (2,977,149)	\$ 1,613,393	\$ 2,361,043	\$ 1,048	\$ 2,362,091	\$ 173,581

The accompanying notes are an integral part of these schedules.

CONSOLIDATING SCHEDULE OF FINANCIAL POSITION

JUNE 30, 2025

(With Comparative Totals for 2024)

	Northeast Parent and Child Society, Inc.	Unlimited Potential Properties	Eliminations	Consolidated Total	
				2025	2024
ASSETS					
CURRENT ASSETS:					
Cash	\$ 6,695,174	\$ 84,900	\$ -	\$ 6,780,074	\$ 3,308,516
Accounts receivable, net allowance for credit losses of \$238,377 and \$163,022 at June 30, 2025 and 2024, respectively	7,709,168	-	-	7,709,168	7,360,495
Mortgage note receivable, current portion	199,992	-	-	199,992	199,992
Accounts receivable from grants and contributions	121,623	-	-	121,623	111,222
Accounts receivable, other	414,700	-	-	414,700	93,346
Due from affiliates	202,008	-	-	202,008	176,451
Investments	4,281,865	-	-	4,281,865	5,399,486
Investment in Unlimited Potential Properties	989,940	-	(989,940)	-	-
Prepaid expenses and inventory	53,644	-	-	53,644	52,160
	<u>20,668,114</u>	<u>84,900</u>	<u>(989,940)</u>	<u>19,763,074</u>	<u>16,701,668</u>
Total current assets					
INVESTMENTS, restricted	695,502	-	-	695,502	710,244
PROPERTY AND EQUIPMENT, net	9,633,792	1,143,960	-	10,777,752	9,986,053
FINANCE LEASE RIGHT-OF-USE ASSETS	-	-	-	-	800,951
OPERATING LEASE RIGHT-OF-USE ASSETS	941,439	-	-	941,439	435,540
OTHER ASSETS:					
Mortgage note receivable, net of current portion	916,198	-	-	916,198	966,190
Deposits	8,177	-	-	8,177	8,177
Beneficial interest in trusts	1,948,046	-	-	1,948,046	1,837,492
	<u>2,872,421</u>	<u>-</u>	<u>-</u>	<u>2,872,421</u>	<u>2,811,859</u>
Total other assets					
	<u>\$ 34,811,268</u>	<u>\$ 1,228,860</u>	<u>\$ (989,940)</u>	<u>\$ 35,050,188</u>	<u>\$ 31,446,315</u>
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	\$ 572,030	\$ -	\$ -	\$ 572,030	\$ 582,745
Due to affiliates	75,363	-	-	75,363	166,635
Accrued salaries and expenses	3,388,126	-	-	3,388,126	3,065,918
Refundable advances	1,510,887	-	-	1,510,887	21,175
Deferred revenue	392,965	10,581	-	403,546	366,856
Deferred revenue from grants and contributions	21,871	-	-	21,871	17,088
Operating lease liability, current portion	205,328	-	-	205,328	163,413
Finance lease liability, current portion	-	-	-	-	197,987
Loans payable, current portion	60,406	56,913	-	117,319	57,160
Bonds payable, current portion	400,497	-	-	400,497	375,497
	<u>6,627,473</u>	<u>67,494</u>	<u>-</u>	<u>6,694,967</u>	<u>5,014,474</u>
Total current liabilities					
LONG-TERM LIABILITIES:					
Operating lease liability, net of current portion	744,187	-	-	744,187	280,821
Finance lease liability, net of current portion	-	-	-	-	630,453
Loans payable, net of current portion	2,626,548	171,426	-	2,797,974	2,684,050
Bonds payable, net of current portion	6,677,215	-	-	6,677,215	7,062,763
	<u>10,047,950</u>	<u>171,426</u>	<u>-</u>	<u>10,219,376</u>	<u>10,658,087</u>
Total long-term liabilities					
Total liabilities	<u>16,675,423</u>	<u>238,920</u>	<u>-</u>	<u>16,914,343</u>	<u>15,672,561</u>
NET ASSETS					
Membership certificates outstanding	-	140,000	(140,000)	-	-
Without donor restrictions	15,989,704	849,940	(849,940)	15,989,704	13,755,723
With donor restrictions	2,146,141	-	-	2,146,141	2,018,031
	<u>18,135,845</u>	<u>989,940</u>	<u>(989,940)</u>	<u>18,135,845</u>	<u>15,773,754</u>
Total net assets					
	<u>\$ 34,811,268</u>	<u>\$ 1,228,860</u>	<u>\$ (989,940)</u>	<u>\$ 35,050,188</u>	<u>\$ 31,446,315</u>

The accompanying notes are an integral part of these schedules.

NORTHEAST PARENT AND CHILD SOCIETY, INC. AND SUBSIDIARY

Schedule III

CONSOLIDATING SCHEDULE OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2025

(With Comparative Totals for 2024)

	Without Donor Restrictions	With Donor Restrictions	Total Northeast Parent and Child Society, Inc.	Unlimited Potential Properties	Eliminations	Total	
						2025	2024
SUPPORT AND REVENUE:							
Fee for service revenue	\$ 39,335,050	\$ -	\$ 39,335,050	\$ -	\$ -	\$ 39,335,050	\$ 37,065,701
Grants and contributions revenue	461,199	-	461,199	-	-	461,199	446,308
Fundraising	141,018	-	141,018	-	-	141,018	84,264
Change in value of beneficial interest in trusts	-	110,553	110,553	-	-	110,553	108,235
Rent	158,714	-	158,714	52,011	(15,000)	195,725	178,469
Fringe benefit recovery	232,054	-	232,054	-	-	232,054	119,328
Miscellaneous	37,798	-	37,798	-	-	37,798	42,051
Total support and revenue	<u>40,365,833</u>	<u>110,553</u>	<u>40,476,386</u>	<u>52,011</u>	<u>(15,000)</u>	<u>40,513,397</u>	<u>38,044,356</u>
EXPENSE:							
Program service	36,394,678	-	36,394,678	35,963	(15,000)	36,415,641	34,809,228
Management and general - parent org.	3,148,284	-	3,148,284	-	-	3,148,284	3,194,595
Management and general - other	221,966	-	221,966	-	-	221,966	495,637
Total expense	<u>39,764,928</u>	<u>-</u>	<u>39,764,928</u>	<u>35,963</u>	<u>(15,000)</u>	<u>39,785,891</u>	<u>38,499,459</u>
OPERATING GAIN (LOSS)	<u>600,905</u>	<u>110,553</u>	<u>711,458</u>	<u>16,048</u>	<u>-</u>	<u>727,506</u>	<u>(455,103)</u>
NON-OPERATING REVENUE (EXPENSE):							
Investment income (loss), net	663,163	17,557	680,720	-	-	680,720	629,289
Transfer of equity - Unlimited Possibilities, Inc. and Unlimited Potential Properties, Inc.	972,872	-	972,872	973,892	(973,892)	972,872	-
State paid depreciation	(18,092)	-	(18,092)	-	-	(18,092)	-
Allocable share of subsidiary change in net assets	16,048	-	16,048	-	(16,048)	-	-
Gain (loss) on disposition of property and equipment	(915)	-	(915)	-	-	(915)	(605)
Total non-operating revenue (expense)	<u>1,633,076</u>	<u>17,557</u>	<u>1,650,633</u>	<u>973,892</u>	<u>(989,940)</u>	<u>1,634,585</u>	<u>628,684</u>
CHANGE IN NET ASSETS	2,233,981	128,110	2,362,091	989,940	(989,940)	2,362,091	173,581
NET ASSETS - beginning of year	<u>13,755,723</u>	<u>2,018,031</u>	<u>15,773,754</u>	<u>-</u>	<u>-</u>	<u>15,773,754</u>	<u>15,600,173</u>
NET ASSETS - end of year	<u>\$ 15,989,704</u>	<u>\$ 2,146,141</u>	<u>\$ 18,135,845</u>	<u>\$ 989,940</u>	<u>\$ (989,940)</u>	<u>\$ 18,135,845</u>	<u>\$ 15,773,754</u>

The accompanying notes are an integral part of these schedules.