

**Jewish Child Care Association of New York
(d/b/a JCCA) and Affiliated Organization**

**Consolidated Financial Statements
and Independent Auditor's Report**

June 30, 2025

**Jewish Child Care Association of New York (d/b/a JCCA)
and Affiliated Organization**

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Independent Auditor's Report

To the Board of Trustees
Jewish Child Care Association of New York (d/b/a JCCA) and Affiliated Organization

Opinion

We have audited the consolidated financial statements of Jewish Child Care Association of New York (d/b/a JCCA) and Affiliated Organization, which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Jewish Child Care Association of New York (d/b/a JCCA) and Affiliated Organization as of June 30, 2025, and the consolidated 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 ("GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Jewish Child Care Association of New York (d/b/a JCCA) and Affiliated Organization, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Jewish Child Care Association of New York (d/b/a JCCA) and Affiliated Organization's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Jewish Child Care Association of New York (d/b/a JCCA) and Affiliated Organization'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 Jewish Child Care Association of New York (d/b/a JCCA) and Affiliated Organization'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.

CohnReznick LLP

New York, New York
March 26, 2026

**Jewish Child Care Association of New York (d/b/a JCCA)
and Affiliated Organization**

**Consolidated Statement of Financial Position
June 30, 2025**

Assets

| | |
|--|------------------------------|
| Current assets | |
| Cash and cash equivalents (Notes 3 and 5) | \$ 3,994,956 |
| Investments at fair value (Notes 3, 4 and 5) | 86,660,744 |
| Accounts receivable - net (Notes 3 and 6) | 28,683,104 |
| Contributions receivable (Notes 3 and 7) | 755,487 |
| Prepaid expenses and other assets (Note 4) | <u>2,037,943</u> |
| Total current assets | <u>122,132,234</u> |
| Restricted cash (Note 3) | 8,167,696 |
| Long-term investments at fair value (Notes 3, 4 and 5) | 2,294,832 |
| Fixed assets, net (Notes 3 and 8) | 15,741,101 |
| Operating lease assets (Note 14) | <u>49,975,540</u> |
| Total assets | <u><u>\$ 198,311,403</u></u> |

Liabilities and Net Assets

| | |
|---|------------------------------|
| Current liabilities | |
| Line of credit (Note 10) | \$ 7,000,000 |
| Accounts payable and accrued expenses | 5,771,485 |
| Accrued payroll and related liabilities (Note 4) | 7,037,489 |
| Current maturities of operating lease liabilities (Note 14) | 3,281,705 |
| Deferred revenue | <u>2,381,109</u> |
| Total current liabilities | <u>25,471,788</u> |
| Operating lease liabilities, net of current portion (Note 14) | 50,916,750 |
| Post-retirement plan liability (Note 12) | 2,065,536 |
| Due to third parties (Notes 3, 13 and 16) | <u>22,612,633</u> |
| Total liabilities | <u>101,066,707</u> |
| Commitments and contingencies | |
| Net assets (Notes 3, 15, and 19) | |
| Without donor restrictions | |
| Undesignated | 82,130,073 |
| Board designated | <u>2,307,521</u> |
| Total net assets without donor restrictions | 84,437,594 |
| With donor restrictions | <u>12,807,102</u> |
| Total net assets | <u>97,244,696</u> |
| Total net assets and liabilities | <u><u>\$ 198,311,403</u></u> |

See Notes to Consolidated Financial Statements.

**Jewish Child Care Association of New York (d/b/a JCCA)
and Affiliated Organization**

**Consolidated Statement of Activities and Changes in Net Assets
Year Ended June 30, 2025**

| | Without donor restrictions | | With donor restrictions | Total |
|--|----------------------------|---------------------|----------------------------|----------------------|
| | Current | Board designated | | |
| Operating revenues | | | | |
| Program service revenue, net | \$ 105,013,230 | \$ - | \$ - | \$ 105,013,230 |
| Contributions | 3,696,157 | 18,494 | 161,189 | 3,875,840 |
| Indirect public support | 249,996 | - | - | 249,996 |
| Net assets released from restrictions | | | | |
| Satisfaction of program designations and restrictions | 178,075 | (86,308) | (91,767) | - |
| | <u>109,137,458</u> | <u>(67,814)</u> | <u>69,422</u> | <u>109,139,066</u> |
| Special events revenue | 393,511 | - | - | 393,511 |
| Less cost of direct benefit to donors | (93,806) | - | - | (93,806) |
| | <u>299,705</u> | <u>-</u> | <u>-</u> | <u>299,705</u> |
| Net revenue from special events | 299,705 | - | - | 299,705 |
| Total operating revenue | <u>109,437,163</u> | <u>(67,814)</u> | <u>69,422</u> | <u>109,438,771</u> |
| Operating expenses | | | | |
| Program services | | | | |
| Child welfare services | 79,118,614 | - | - | 79,118,614 |
| Mental health services | 15,224,889 | - | - | 15,224,889 |
| Jewish community based services | 530,290 | - | - | 530,290 |
| Education | 2,449,640 | - | - | 2,449,640 |
| | <u>97,323,433</u> | <u>-</u> | <u>-</u> | <u>97,323,433</u> |
| Total program services | 97,323,433 | - | - | 97,323,433 |
| Supporting services | | | | |
| Management and general | 21,860,941 | - | - | 21,860,941 |
| Fundraising | 1,130,524 | - | - | 1,130,524 |
| | <u>22,991,465</u> | <u>-</u> | <u>-</u> | <u>22,991,465</u> |
| Total supporting services | 22,991,465 | - | - | 22,991,465 |
| Total operating expenses | <u>120,314,898</u> | <u>-</u> | <u>-</u> | <u>120,314,898</u> |
| Surplus (deficit) from operations | <u>(10,877,735)</u> | <u>(67,814)</u> | <u>69,422</u> | <u>(10,876,127)</u> |
| Nonoperating activities | | | | |
| Net investment gain | 9,727,127 | 75,145 | 210,526 | 10,012,798 |
| Gain on extinguishment of debt | 5,630,467 | - | - | 5,630,467 |
| Capital campaign contributions | - | 124,793 | 1,415,766 | 1,540,559 |
| Loss on abandonment of construction in progress | (2,829,066) | - | - | (2,829,066) |
| Rental and other income | 968,084 | - | - | 968,084 |
| | <u>13,496,612</u> | <u>199,938</u> | <u>1,626,292</u> | <u>15,322,842</u> |
| Total nonoperating activities | 13,496,612 | 199,938 | 1,626,292 | 15,322,842 |
| Change in net assets before accumulated benefit obligation under ASC 715 | 2,618,877 | 132,124 | 1,695,714 | 4,446,715 |
| Accumulated benefit obligation under ASC 715 (Note 12) | 76,359 | - | - | 76,359 |
| Change in net assets | 2,695,236 | 132,124 | 1,695,714 | 4,523,074 |
| Net assets, beginning of year | <u>79,434,837</u> | <u>2,175,397</u> | <u>11,111,388</u> | <u>92,721,622</u> |
| Net assets, end of year | <u>\$ 82,130,073</u> | <u>\$ 2,307,521</u> | <u>\$ 12,807,102</u> | <u>\$ 97,244,696</u> |

See Notes to Consolidated Financial Statements.

**Jewish Child Care Association of New York (d/b/a JCCA)
and Affiliated Organization**

**Consolidated Statement of Functional Expenses
Year Ended June 30, 2025**

| Expense category | Child welfare services | Mental health services | Jewish community based services | Education | Management and general | Fundraising | Total |
|-------------------------------------|---------------------------|---------------------------|---------------------------------------|---------------------|---------------------------|---------------------|-----------------------|
| Salaries | \$ 36,538,726 | \$ 8,545,197 | \$ 375,209 | \$ 1,388,432 | \$ 9,073,251 | \$ 753,581 | \$ 56,674,396 |
| Fringe benefits and payroll taxes | 12,255,872 | 2,841,888 | 127,618 | 452,339 | 3,707,321 | 252,617 | 19,637,655 |
| Transportation and workers' expense | 464,175 | 24,428 | 92 | 6,841 | 75,207 | 465 | 571,208 |
| Client expenses | 1,472,034 | 131,675 | 64 | 455,510 | 53,052 | 1,651 | 2,113,986 |
| Purchases of services | 6,161,500 | 329,124 | 5,470 | 15,602 | 4,048,510 | 6,460 | 10,566,666 |
| Food | 1,036,349 | 6,780 | - | 16,505 | 19,732 | - | 1,079,366 |
| Clothing, bedding and linen | 129,450 | 8,512 | 55 | 512 | 3,970 | 152 | 142,651 |
| Supplies and equipment | 1,112,610 | 96,733 | 785 | 11,679 | 94,197 | 6,528 | 1,322,532 |
| Rent and occupancy | 2,617,367 | 1,901,484 | 11,999 | 23,589 | 1,019,466 | 52,380 | 5,626,285 |
| Rentals and repair of equipment | 42,862 | 32,474 | - | - | 131,319 | - | 206,655 |
| Utilities | 1,336,563 | 36,631 | 220 | 489 | 52,175 | 1,386 | 1,427,464 |
| Repairs and maintenance | 290,482 | 136 | - | 5,392 | 11,887 | - | 307,897 |
| Telephone | 45,752 | 559 | 228 | 693 | 396,204 | 246 | 443,682 |
| Postage | 63,673 | 5,319 | 40 | 84 | 20,646 | 4,039 | 93,801 |
| Membership dues | 7,857 | 1,043 | 10 | 1,472 | 67,918 | 26 | 78,326 |
| Licenses, permits and certificates | 38,051 | 303 | - | 102 | 28,570 | - | 67,026 |
| Staff development | 183,024 | 65,481 | 103 | 2,882 | 119,758 | 18,320 | 389,568 |
| Publicity | 1,010 | - | - | - | 103,509 | - | 104,519 |
| Professional services | 303,822 | 90,564 | 2,164 | 9,013 | 1,036,526 | - | 1,442,089 |
| Insurance | 1,604,867 | 587,608 | 5,876 | 4,155 | 493,525 | 21,298 | 2,717,329 |
| Taxes | 285,324 | 168,130 | - | - | 59,374 | - | 512,828 |
| Administrative expense | 636 | 10,266 | - | - | 70,148 | - | 81,050 |
| Miscellaneous | 46,293 | 3,463 | 5 | - | 47,429 | - | 97,190 |
| Payments to providers | 9,501,013 | 35,333 | 5 | 9,796 | 24,741 | 30 | 9,570,918 |
| Special events | 30,781 | 308 | - | 1,762 | 2,511 | 1,674 | 37,036 |
| Bad debts | 2,380,698 | 3,283 | - | - | - | 2,400 | 2,386,381 |
| Depreciation and amortization | 1,167,823 | 298,167 | 347 | 42,791 | 1,099,995 | 7,271 | 2,616,394 |
| Total expenses | \$ 79,118,614 | \$ 15,224,889 | \$ 530,290 | \$ 2,449,640 | \$ 21,860,941 | \$ 1,130,524 | \$ 120,314,898 |

See Notes to Consolidated Financial Statements.

**Jewish Child Care Association of New York (d/b/a JCCA)
and Affiliated Organization**

**Consolidated Statement of Cash Flows
Year Ended June 30, 2025**

| | |
|--|----------------------|
| Cash flows from operating activities | |
| Change in net assets | \$ 4,523,074 |
| Adjustments to reconcile change in net assets to net cash used in operating activities | |
| Depreciation and amortization | 2,616,394 |
| Loss on abandonment of construction in progress | 2,829,066 |
| Gain on extinguishment of debt | (5,630,467) |
| Operating lease assets | 3,203,842 |
| Operating lease liabilities | (3,089,416) |
| Change in accumulated benefit obligation | (76,359) |
| Net realized gains on investments | (3,485,042) |
| Net unrealized gains on investments | (5,435,136) |
| Capital campaign contributions | (1,540,559) |
| Change in assets and liabilities | |
| Accounts receivable | (2,479,043) |
| Contributions receivable | (736,087) |
| Prepaid expenses and other assets | 2,761,090 |
| Accounts payable and accrued expenses | 1,817,896 |
| Accrued payroll and payroll liabilities | 212,768 |
| Deferred revenue | (3,359,188) |
| Due to third parties | (591,773) |
| | <u>(8,458,940)</u> |
| Net cash used in operating activities | |
| Cash flows from investing activities | |
| Purchase of fixed assets | (3,724,034) |
| Purchase of investment | (16,580,967) |
| Sale of investments | 12,917,814 |
| | <u>(7,387,187)</u> |
| Net cash used in investing activities | |
| Cash flows from financing activities | |
| Cash received for line of credit | 9,500,000 |
| Cash payments for line of credit | (2,500,000) |
| Cash received for capital campaign | 1,540,559 |
| | <u>8,540,559</u> |
| Net cash provided by financing activities | |
| Net decrease in cash and cash equivalents and restricted cash | (7,305,568) |
| Cash and cash equivalents and restricted cash, beginning of year | <u>19,468,220</u> |
| Cash and cash equivalents and restricted cash, end of year | <u>\$ 12,162,652</u> |
| Supplemental disclosure of noncash financing activities | |
| Gain on extinguishment of debt | <u>\$ 5,630,467</u> |

See Notes to Consolidated Financial Statements.

**Jewish Child Care Association of New York (d/b/a JCCA)
and Affiliated Organization**

**Notes to Consolidated Financial Statements
June 30, 2025**

Note 1 - Principles of consolidation

The accompanying consolidated financial statements include Jewish Child Care Association of New York (d/b/a JCCA) ("JCCA") and JCCA Edenwald, Inc. (collectively, the "Agency"). JCCA and JCCA Edenwald, Inc. are related through common board membership. All material intercompany balances and transactions have been eliminated in consolidation.

JCCA Foundation, Inc. (the "Foundation") was incorporated on January 6, 2021 as a not-for-profit corporation under the laws of the State of New York and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Foundation's purpose is to operate exclusively for charitable purposes to support the Agency. The Agency's Board of Directors are the members of the Foundation. The Foundation had no activity for the year ended June 30, 2025.

The consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. In the consolidated statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

Note 2 - Agency

JCCA is a comprehensive childcare and family services agency operating across New York communities. Its programs include foster and residential care, educational assistance and remediation, case management and services to families to prevent child abuse and maltreatment.

JCCA Edenwald, Inc. ("Edenwald") operates residential care programs on a campus in Westchester County, New York.

Note 3 - Summary of significant accounting policies

Financial statement presentation

The accompanying consolidated financial statements present information regarding the Agency's financial position and activities according to two classes of net assets.

Net assets without donor restrictions are net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Agency. Net assets without donor restrictions include resources that the governing board may use for any designated purpose and resources whose use is limited by agreement between the Agency and an outside party other than a donor or grantor.

Net assets with donor restrictions are net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Agency or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. As of June 30, 2025, net assets with donor restrictions amounted to \$12,807,102.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities and changes in net assets.

**Jewish Child Care Association of New York (d/b/a JCCA)
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**Notes to Consolidated Financial Statements
June 30, 2025**

Cash and cash equivalents

The Agency considers all money market accounts, cash in investment accounts, and all highly-liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Investments at fair value

Investments in equity securities with readily determinable fair values and all investments in mutual funds are valued at their net asset values which reflect fair market values in the consolidated statement of financial position. Unrealized and realized gains and losses are included in the consolidated statement of activities and changes in net assets.

Investments in limited partnerships and other investment companies

JCCA's investments in limited partnerships and other investment companies ("investment entities") are stated at fair value, and the related income is recorded quarterly.

Investment entities are selected by the Investment Committee, which receives offering documents and performance history of each investment manager. The Investment Committee interviews the manager to determine whether the investment philosophy (particularly with respect to risk) and strategies of the investment entities are in the best interests of JCCA. Only after the Investment Committee makes a positive recommendation does JCCA invest in an investment entity. In addition, the actions of the Investment Committee are subject to review and approval by the Board of Trustees of JCCA, as the case may be.

Fair value measurements

JCCA values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, a fair value hierarchy that prioritizes observable and unobservable inputs is used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities, quoted prices in inactive markets or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated with observable market data.
- Level 3: Unobservable inputs are used when little or no market data is available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Contributions and promises to give

Contributions, which include promises to give, are recorded as either without donor restrictions or with donor restrictions if they are received with donor stipulations that limit the use of the donated asset. Contributions received with no donor stipulations are recorded as revenue with no donor restrictions. 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 as net assets without donor restrictions and are reported in the consolidated statement of activities and changes in net assets as net assets released from restrictions. Donor-restricted contributions whose

**Jewish Child Care Association of New York (d/b/a JCCA)
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restrictions expire during the same fiscal year are recognized as unrestricted revenue. A conditional contribution is recognized when the Agency has overcome a barrier or hurdle to be entitled to the resource and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Agency fails to overcome the barrier. The Agency recognizes the contribution revenue upon overcoming the barrier or hurdle. Any funding received prior to overcoming the barrier is recognized as refundable advance.

Fixed assets - depreciation

Fixed assets are stated at cost. The Agency capitalizes expenditures for additions, renewals and betterments. Depreciation is computed over the estimated useful lives of the assets by the straight-line method for financial reporting as follows:

| | |
|---------------------------|---------------|
| Land improvements | 5 - 25 years |
| Building and improvements | 10 - 40 years |
| Furniture and equipment | 5 - 7 years |

Leasehold improvements are amortized over the shorter of the life of the lease or the improvement.

The Agency follows the policy of capitalizing all fixed asset acquisitions in excess of \$5,000 per unit. Maintenance and repairs are charged to operations when incurred. When property and equipment is sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved.

Restricted cash

Restricted cash represents cash received for the Agency's capital campaign drive and is restricted for the purpose of financing a construction project.

Construction-in-progress

Construction-in-progress is recorded at cost. The Agency capitalizes construction, insurance, interest and other costs during the period of construction. Depreciation is recorded when construction has been substantially complete, and the assets are placed in service.

Impairment of long-lived assets

The Agency reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. For the year ended June 30, 2025, there have been no such impairments.

Revenue recognition and third-party reimbursements

Program service revenue

Program service revenue from residential care, foster care and medical care is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing client care. These amounts are due from New York City and Westchester, Ulster, Erie, Dutchess, Rockland, Nassau and Suffolk counties through reimbursement rates established by the New York State Office of Children and Family Services and New York State Department of Health. These reimbursement rates finance services provided for residential care, foster care and medical care. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. Revenue is recognized as performance obligations are satisfied.

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Performance obligations are determined based on the nature of the services provided by the Agency. Revenue is recognized from rate-based programs when services are provided (e.g., care days and clinic visits). Reimbursement advances and prior-year adjustments to be recouped in future periods are reflected as due to third parties in the consolidated statement of financial position. Retroactive rate adjustments pertaining to previous years are reflected as third-party settlements in the consolidated statement of activities and changes in net assets. The Agency believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to clients receiving services in the Agency's programs. The Agency measures the performance obligation as the dates of service provided.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Agency has elected to apply the optional exemption provided in Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606-10-50-14a and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The performance obligations for these contracts are generally completed when the service is completed and upon submission of required documentation, which is usually at each month end.

The Agency determines the transaction price based on established rates and contracts for services provided. The initial estimate of the transaction price is determined by reducing the established rates for services provided by any implicit price concessions based on historical collection experience with each government agency. The Agency has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the payors and service lines. Subsequent changes to the estimate of the transaction price are generally recorded as adjustment to revenue in the period of the change. Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicaid: Reimbursements for residential services are paid on a per diem basis and as services are provided.

City and Counties: Reimbursements are generally paid as services are provided. Certain of these rates may be subject to final settlement as determined after submission of annual cost reports by the Agency.

Other: Payment agreements with other government funders are based on predetermined rates for established services as they are provided.

Laws and regulations concerning government programs, including Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Agency's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Agency.

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June 30, 2025**

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing client care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Agency's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in fiscal year 2025.

Grants and contributions

Grants and contributions are classified as either conditional or unconditional. Unconditional grants and contributions, including unconditional promises to give, are recognized at fair value when the commitment to contribute is received and are reported as without donor restrictions revenue and support unless specifically restricted by the donor or by law. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as revenue and support with donor restrictions. Revenue is recognized on a conditional contribution or grant once a barrier or hurdle to be entitled to the resource is overcome and the resource provider is released from the obligation to fund or has the right of return of any advanced funding if the Agency fails to overcome the barrier.

Revenue from grants and contracts with resource providers such as the government and its agencies and other agencies are accounted for either as exchange transactions or as contributions. When the resource provider receives commensurate value in return for the resources transferred to the Agency, the revenue from the grant or contract is accounted for as an exchange transaction. For purposes of determining whether a transfer of asset is a contribution or an exchange, the Agency deems that the resource provider is not synonymous with the general public, i.e., indirect benefit received by the public as a result of the assets transferred is not deemed equivalent to commensurate value received by the resource provider. Moreover, the execution of a resource provider's mission or the positive sentiment from acting as a donor is not deemed to constitute commensurate value received by a resource provider. Revenue from grants and contracts that are accounted for as exchange transactions is recognized when performance obligations have been satisfied. Grants and contracts awarded for the acquisition of long-lived assets are reported as nonoperating revenue, in the absence of donor stipulations to the contrary, during the fiscal year in which the assets are acquired. Cash received in excess of revenue recognized is recorded as deferred revenue.

At June 30, 2025, the Agency has received grants and contracts from government entities, accounted for as either exchange transactions or conditional contributions, in the aggregate amount of approximately \$35,190,717 that have not been recorded in the accompanying consolidated financial statements. These grants and contracts require the Agency to provide certain services or capital projects during specified periods. If such services are not provided during the periods, the governmental entities are not obligated to expend the funds allotted under the contracts.

Grants and contract transactions where the resource provider does not receive commensurate value are accounted for as a contribution.

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Investment income

Income from investments is recognized as earned. Investment income includes interest, dividends and realized gains and losses on investment transactions. Since all investments are carried at fair value, the net change in the fair value of investments is recognized as an unrealized gain or loss on investments.

Income taxes

JCCA, Edenwald and the Foundation were incorporated in the State of New York and are exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. JCCA, Edenwald and the Foundation have been determined by the Internal Revenue Service ("IRS") not to be "private foundations" within the meaning of Section 509(a) of the Internal Revenue Code. There was unrelated business income for the year ended June 30, 2025; however, due to the tax being immaterial to the consolidated financial statements, there is no provision for income taxes in the accompanying consolidated financial statements.

Management has analyzed the tax positions taken by the Agency and has concluded that, as of June 30, 2025, there are no uncertain tax positions taken or expected to be taken that would require recognition of liability (or asset) or disclosure in the consolidated financial statements.

The Agency's federal and state income tax returns filed prior to fiscal year 2022 are closed. Management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in the tax law and new authoritative rulings.

If applicable, the Agency would recognize interest and penalties associated with tax matters as part of other than personnel services in the consolidated statement of activities and changes in net assets and include accrued interest and penalties in accrued expenses in the consolidated statement of financial position. The Agency did not recognize any interest or penalties associated with tax matters for the year ended June 30, 2025.

Use of estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the consolidated statement of activities and changes in net assets based on a combination of specific identification and allocation by management on an equitable basis. Accordingly, certain costs have been allocated around the programs and supporting services benefited using a variety of cost allocation basis such as time and effort and square footage.

Allocation of investment income

Based on donor and board-designated specifications, the funds comprising the net assets with donor restrictions and net assets without donor restrictions - board designated have pooled their investments to permit greater diversification.

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The pool uses the net asset balance method to allocate investment income. Under this method, a percentage of total investment income for the year is allocated to net assets with donor restrictions and net assets without donor restrictions - board designated based on their respective average net asset balances during the year. Any investment income not allocated to these specific funds is allocated to net assets without donor restrictions.

Endowment

The Agency is subject to the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). The Agency classifies as endowment fund to be restricted in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the accounting guidance associated with the adoption of NYPMIFA. The remaining portion of the donor-restricted endowment fund that is not classified as donor-restricted in perpetuity is classified as donor-restricted for programs or purpose until those amounts are appropriated for expenditure.

Subsequent events

The Agency has evaluated subsequent events through March 26, 2026, which is the date the consolidated financial statements were available to be issued.

Note 4 - Financial instruments and fair value

JCCA's holdings in equities consist principally of stock securities carried at their aggregate market value that is determined by quoted market prices. Each of the above investments can be liquidated daily.

JCCA's holdings in fixed income consist of mutual funds which hold government and corporate notes and bonds and other fixed income securities. The fair value of the mutual funds is estimated using recently executed transactions, market price quotations (where observable) and bond spreads. The spread data used is for the same maturity as the bond.

JCCA's holdings in alternative investments are those made in limited partnerships and other investment companies. Given the absence of market quotations, their fair value is estimated using information provided to JCCA by the investment managers or general partners. The values are based on estimates that require varying degrees of judgment and, for fund of funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds. Individual investment holdings within the alternative investments may include investments in both nonmarketable and market-traded securities. Nonmarketable securities may include interests in private companies, real estate, thinly-traded securities and other investment vehicles. The investments may indirectly expose JCCA to the effects of securities lending short sales of securities, and trading in futures and forward contracts, options, swap contracts and other derivative products. While these financial instruments contain varying degrees of risk, JCCA's exposure with respect to each such investment is limited to its carrying amount (fair value as described above) in each investment. JCCA does not directly invest in the underlying securities of the investment funds and due to restrictions on transferability and timing of withdrawals from the limited partnerships, the amounts ultimately realized upon liquidation could differ from reported values that are based on current conditions.

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| | Fair value measurement using | | | Total |
|---|------------------------------|---------------------|-------------|----------------------|
| | Level 1 | Level 2 | Level 3 | |
| Investments | | | | |
| Equities | | | | |
| U.S. Large Cap | \$ 16,141,556 | \$ - | \$ - | \$ 16,141,556 |
| Emerging market equity | 4,485,893 | - | - | 4,485,893 |
| Non-U.S. equity | 1,191,142 | - | - | 1,191,142 |
| Development International | 8,627,323 | - | - | 8,627,323 |
| Fixed income bond fund | - | 2,138,172 | - | 2,138,172 |
| Mutual funds | | | | |
| U.S. Large Cap | 83,854 | 41,610 | - | 125,464 |
| U.S. Mid/Small Cap | 26,995 | 62,990 | - | 89,985 |
| Non-U.S. equity | 6,504,433 | - | - | 6,504,433 |
| Emerging market | 8,978 | 19,221 | - | 28,199 |
| Development International | 30,902 | 19,041 | - | 49,943 |
| Total investments, at fair value | <u>\$ 37,101,076</u> | <u>\$ 2,281,034</u> | <u>\$ -</u> | <u>\$ 39,382,110</u> |
| Investments measured at net asset value (a) | | | | |
| Alternative Investments | | | | <u>\$ 49,573,466</u> |
| Total investments | | | | <u>\$ 88,955,576</u> |

The total investments balance in the amount of \$88,955,576 is reflected as investments at fair value and long-term investments at fair value in the consolidated statement of financial position as of June 30, 2025.

Each of the above investments except alternative investments can be liquidated daily.

(a) In accordance with Subtopic 820-10, certain investments that were measured at net asset value per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the line items presented in the consolidating statement of financial position.

| | Fair value measurement using | | | Total |
|------------------------|------------------------------|-------------|-------------|---------------------|
| | Level 1 | Level 2 | Level 3 | |
| Other assets | | | | |
| Mutual funds | | | | |
| U.S. Mid/Small Cap | \$ 280,332 | \$ - | \$ - | \$ 280,332 |
| Intermediate term bond | 29,024 | - | - | 29,024 |
| U.S. Large Cap | 774,638 | - | - | 774,638 |
| Total other assets | <u>\$ 1,083,994</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,083,994</u> |

As part of the deferred compensation asset account, cash in the amount of \$112,775 is included for a total deferred compensation asset amount of \$1,196,769.

| | | | | |
|---|---------------------|-------------|-------------|---------------------|
| Liabilities | | | | |
| Accrued payroll and payroll liabilities | | | | |
| 457(b) Plan liability | \$ 1,196,769 | \$ - | \$ - | \$ 1,196,769 |
| Total liabilities | <u>\$ 1,196,769</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,196,769</u> |

The deferred compensation asset and liability in the amount of \$1,196,769 is included as part of prepaid expenses and other assets and accrued payroll and related liabilities in the consolidated statement of financial position.

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JCCA's disclosures include the category, fair value, redemption frequency and redemption notice period for those assets whose fair value is estimated using the net asset value ("NAV") per share as of June 30, 2025. For JCCA, such assets include investments in limited partnerships and other investment companies.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although JCCA's management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. As of June 30, 2025, there were no changes within the level classifications.

The following table for June 30, 2025 sets forth a summary of JCCA's investments with a reported NAV:

| Investment | Fair value at NAV | | | | |
|------------------------------|----------------------|---------------------|----------------------|-------------------------------|--------------------------|
| | Fair value* | Unfunded commitment | Redemption frequency | Other redemption restrictions | Redemption notice period |
| Private equity | \$ 6,088,055 | \$ 3,191,360 | None | None noted | (a) |
| International private equity | 3,138 | 96,750 | None | None noted | (a) |
| Offshore fund | 43,482,273 | - | Various | (b) | 3 to 95 days |
| | <u>\$ 49,573,466</u> | <u>\$ 3,288,110</u> | | | |

* The fair values of the investments have been estimated using the NAV of the investment.

(a) Redemption not permitted. Distributions require liquidation of underlying assets. Limited exceptions subject to the general partner's approval.

(b) Lock-up period varies from none to two years from contribution date.

Note 5 - Investments at fair value

The investments at fair value at June 30, 2025 are summarized as follows:

| | Fair value | Cost |
|-------------------------|----------------------|----------------------|
| Equities | \$ 30,445,914 | \$ 22,729,263 |
| Fixed income bond fund | 2,138,172 | 2,142,652 |
| Mutual funds | 6,798,024 | 5,794,766 |
| Alternative investments | 49,573,466 | 31,945,255 |
| | <u>\$ 88,955,576</u> | <u>\$ 62,611,936</u> |
| Total investments | | |

The investments are managed by professional investment advisors and managers. In addition to the above investments, the investment portfolio included \$2,047,277 of cash equivalents at June 30, 2025.

The total investments balance in the amount of \$88,955,576 is reflected as investments at fair value and long-term investments at fair value in the consolidated statement of financial position as of June 30, 2025.

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Note 6 - Accounts receivable, net

Accounts receivable, net consist of the following as of June 30, 2025:

| | |
|--------------------------------|---------------------------------|
| Due from the City of New York | \$ 14,811,872 |
| Due from the State of New York | 290,468 |
| Due from Counties of New York | 3,865,936 |
| Due from Medicaid | 7,439,930 |
| Due from Other | <u>2,274,898</u> |
| Total | <u><u>\$ 28,683,104</u></u> |

As of July 1, 2024, the Agency's accounts receivable, net amounted to \$26,204,061.

Note 7 - Contributions receivable

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met.

All contributions receivable in the amount of \$755,487 are expected to be received in less than one year.

Note 8 - Fixed assets, net

Fixed assets, net, consist of the following as of June 30, 2025:

| | |
|------------------------------|---------------------------------|
| Land | \$ 301,923 |
| Land improvements | 1,139,342 |
| Building and improvements | 38,660,165 |
| Mt. Pleasant Cottage School | 2,404,172 |
| Furniture and equipment | 10,931,548 |
| Software | <u>2,044,763</u> |
| Subtotal | 55,481,913 |
| Accumulated depreciation | <u>(42,330,985)</u> |
| | 13,150,928 |
| Construction-in-progress | <u>2,590,173</u> |
| Total fixed assets, net | <u><u>\$ 15,741,101</u></u> |

Depreciation and amortization expense totaled \$2,616,394 for the year ended June 30, 2025.

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During the year ended June 30, 2025, the Agency determined that a previously planned project related to technological infrastructure would not proceed. The project included costs incurred under a contract with Streamline for preliminary project activities. The Agency does not expect to recover any of the costs incurred related to the project and there are no remaining commitments associated with the project as of June 30, 2025.

As a result of management's decision to discontinue the project, the Agency recorded a loss on abandonment of construction in progress in the amount of \$2,829,066. This loss is presented as a nonoperating activity in the accompanying consolidated statement of activities and changes in net assets for the year ended June 30, 2025.

Note 9 - Transactions between affiliates

JCCA owes Edenwald for third-party reimbursements received by JCCA on behalf of Edenwald. Certain operating expenses of Edenwald, such as property and liability insurance and administrative personnel costs, are also paid by JCCA and are charged to Edenwald. These accounts are eliminated in the consolidated statement of financial position.

Note 10 - Line of credit

JCCA has a line of credit with an available limit of \$9,000,000, which is due on demand. Interest is charged at variable secured overnight financing rate plus 2%, which was 6.45% at June 30, 2025. There was an outstanding balance of \$7,000,000 on this line of credit as of June 30, 2025. This line of credit is terminable by either party at any time but does not have a specified termination date. This line of credit is secured by JCCA's investment accounts.

Note 11 - Gain on extinguishment of debt

During the year ended June 30, 2025, Edenwald determined that certain outstanding debt obligations were no longer legally enforceable due to the expiration of the applicable statute of limitations. Management evaluated the facts and circumstances surrounding the obligation, including the age of the liability, lack of collection activity, and the expiration of the applicable statutory period for enforcement. Based on this evaluation, Edenwald determined that it was appropriate to remove the liability from the consolidated financial statements in the current year. The outstanding principal and interest balance of \$5,630,467 was derecognized during the year ended June 30, 2025 and is recorded as a gain on extinguishment of debt on the consolidated statement of activities and change in net assets.

Edenwald also had a receivable in the amount of \$2,365,503 from the City of New York. These payments were to be used to pay the debt obligation. During the year ended June 30, 2025, Edenwald determined the total receivable balance in the amount of \$2,365,503 to be uncollectible and wrote off the balance as bad debt expense.

Note 12 - Post-retirement benefit obligation

JCCA sponsors an unfunded Retiree Health Benefits Plan (the "Plan") for eligible employees. The Plan offers eligible employees retiree health reimbursements, a retiree life insurance benefit plan and a severance program. The Plan holds no assets as JCCA makes contributions as benefits are due.

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The following table provides information with respect to the Plan as of June 30, 2025, and for the year then ended:

| | |
|---|---------------------|
| Reconciliation of the benefit obligation | |
| Benefit obligation, at the beginning of year | \$ 2,141,895 |
| Interest cost | 105,862 |
| Changes in discount rate assumptions | 53,824 |
| Actuarial loss | 53,273 |
| Benefits paid | <u>(289,318)</u> |
| Benefit obligations at end of year | <u>2,065,536</u> |
| Reconciliation of fair value of Plan assets | |
| Fair value of Plan assets at the beginning of year | |
| Employer contributions | 289,318 |
| Benefits paid | <u>(289,318)</u> |
| Investment yield during the year | <u>-</u> |
| Funded status | <u>\$ 2,065,536</u> |
| Amount recognized in the consolidated statement of activities consists of | |
| Net periodic post-retirement benefit cost for the year | \$ 102,276 |
| Contributions during the year | <u>(289,318)</u> |
| | <u>\$ (187,042)</u> |
| Amount recognized in the consolidated statement of financial position consists of | |
| Post-retirement plan liability | \$ 2,065,536 |
| Accumulated other changes in net assets | <u>-</u> |
| Net amount recognized | <u>\$ 2,065,536</u> |
| Amount recognized in other changes in net assets consists of | |
| Transition obligation recognized in benefit costs this year | \$ 83,254 |
| Gains this year | <u>(107,097)</u> |
| | <u>\$ (23,843)</u> |
| Components of net periodic post-retirement benefit cost | |
| Interest cost | \$ 105,862 |
| Amortization of transition obligation | <u>(3,586)</u> |
| Net periodic post-retirement benefit cost | <u>\$ 102,276</u> |

The estimated benefit liability expected to be recognized in the next fiscal year is \$14,570.

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The effect of a one-percentage point change in the trend rate would cause the following changes:

| | Increase | Decrease |
|--|-----------|-------------|
| Service cost | \$ - | \$ - |
| Interest cost | 830 | (767) |
| | 830 | (767) |
| Total | \$ 830 | \$ (767) |
| Accumulated post-retirement benefit obligation | \$ 17,648 | \$ (16,329) |

Assumptions used in developing the benefit obligations are as follows:

| | |
|---|----------------|
| Discount rate for net post-retirement benefit cost | 5.30% |
| Discount rate for year-end disclosure | 4.99% |
| Health care cost trend rates for cost determination | 6.50% annually |

The following benefit payments, which reflect expected future service, as appropriate are expected to be paid as of June 30:

| | | |
|------------|----|-----------|
| 2026 | \$ | 277,000 |
| 2027 | | 263,000 |
| 2028 | | 247,000 |
| 2029 | | 232,000 |
| 2030 | | 216,000 |
| Thereafter | | 840,000 |
| Total | \$ | 2,075,000 |

Note 13 - Due to third parties

Due to third parties amounting to \$22,612,633 as of June 30, 2025, represents amounts due to New York City Administration for Children's Services ("ACS"), Medicaid and other payers for potential recoupments for overpayments and audit results.

Note 14 - Leases

The Agency leases building spaces, and vehicles used in its operations. All contracts that implicitly or explicitly involve property and equipment are evaluated to determine whether they are or contain a lease.

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At lease commencement, the Agency recognizes a lease liability, which is measured at the present value of future lease payments, and a corresponding right-of-use asset equal to the lease liability, adjusted for initial direct costs. The Agency has elected and applies the practical expedients available to lessees such as: (a) election to not reassess existing and certain expired contracts to determine they are or contain a lease; (b) election to not reassess lease classification; (c) election to not reassess initial direct costs; (d) election for short-term lease exemption; and (e) election to use the risk-free rate as the discount rate. The Agency remeasures lease liabilities and related right-of-use assets whenever there is a change to the lease term and/or there is a change in the amount of future lease payments, but only when such modification does not qualify to be accounted for as a separate contract.

The Agency determines an appropriate discount rate to apply when determining the present value of the remaining lease payments for purposes of measuring or remeasuring lease liabilities. As the rate implicit in the lease is generally not readily determinable, the Agency elected the practical expedient to use the risk-free rate as its discount rate.

For accounting purposes, the Agency's leases commence on the earlier of (i) the date upon which the Agency obtains control of the underlying asset and (ii) the contractual effective date of a lease. Lease commencement for most of the Agency's leases coincides with the contractual effective date. The Agency's leases generally have minimum base terms with renewal options or fixed terms with early termination options. Such renewal and early termination options are exercisable at the option of the Agency and, when exercised, usually provide for rental payments during the extension period at then current market rates or at predetermined rental amounts. Unless the Agency determines that it is reasonably certain that the term of a lease will be extended, such as through the exercise of a renewal option or nonexercise of an early termination option, the term of a lease begins at lease commencement and spans for the duration of the minimum noncancellable contractual term. When the exercise of a renewal option or nonexercise of an early termination option is reasonably certain, the lease term is measured as ending at the end of the renewal period or on the date an early termination may be exercised.

The Agency includes variable rental payments based on a rate or an index such as the consumer price index ("CPI") in its measurement of lease payments based on the rate or index in effect at lease commencement. Other types of variable lease payments are expensed as incurred.

Leases involving real estate

Leases of building space have lease terms that range from five to 15 years, which terms have been incorporated into our measurement of the related right-of-use assets and lease liabilities.

Rental payments on these leases typically provide for fixed minimum payments that increase over the lease term at predetermined amounts.

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The following provides information about the Agency's right-of-use assets and lease liabilities for its operating leases as of June 30, 2025:

| Consolidated Statement of Financial Position Classification | | |
|--|---|---------------|
| Right-of-use assets | | |
| Operating leases | Operating lease right-of-use assets | \$ 49,975,540 |
| Lease liabilities | | |
| <i>Current</i> | | |
| Operating leases | Current portion of operating lease liabilities | \$ 3,281,705 |
| <i>Noncurrent</i> | | |
| Operating leases | Operating lease liabilities, net of current portion | 50,916,750 |
| Total lease liabilities | | \$ 54,198,455 |

The components of the Agency's operating lease cost for the year ended June 30, 2025 are as follows:

| Consolidated Statement of Activities and Changes in Net Assets Classification | | |
|--|--------------------|--------------|
| Operating lease costs, net | | |
| Rent expense | Operating expenses | \$ 5,923,913 |

The weighted average remaining lease term and weighted average discount rate for the Agency's operating leases as of June 30, 2025 are as follows:

| | Operating leases |
|---|---------------------|
| Weighted average remaining terms (in years) | 13.0 |
| Weighted average discount rate (1) | 4.15% |

(1) The Agency has elected to use the risk-free rate as the discount rate for all its leases. The Agency uses rates on U.S. government securities for periods comparable with lease terms as risk-free rates.

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The annual maturity analysis of the Agency's lease liabilities as of June 30, 2025 is as follows:

| Year ending June 30, 2025 | Operating leases |
|---|---------------------|
| 2026 | \$ 5,451,244 |
| 2027 | 5,344,779 |
| 2028 | 4,981,795 |
| 2029 | 5,233,601 |
| 2030 | 5,302,399 |
| Thereafter | 43,898,745 |
| Total lease payments | 70,212,563 |
| Less interest | 16,014,108 |
| Present value of lease liabilities | 54,198,455 |
| Less current portion of lease liabilities | 3,281,705 |
| Noncurrent portion of lease liabilities | \$ 50,916,750 |

Note 15 - Net assets with donor restrictions

Net assets with donor restrictions are comprised of the following:

| | |
|----------------------------------|---------------|
| Restricted as to purpose or time | \$ 10,512,270 |
| Endowment funds | 2,294,832 |
| Total | \$ 12,807,102 |

Net assets with donor restrictions, restricted as to purpose or time, are restricted for the following programs or purposes at June 30, 2025:

| | |
|-----------------------------------|---------------|
| Capital campaign (various donors) | \$ 8,167,696 |
| Raymond Taylor Scholarship Fund | 740,938 |
| Pinkerton Foundation | 100,000 |
| Gertrude and Ralph Sokoloff Fund | 70,404 |
| Two Together | 27,748 |
| The Nash Family Foundation | 20,000 |
| NYT Need | 4,099 |
| Reuben Koftoff Fund | 1,500 |
| Accumulated earnings | 1,379,885 |
| Total | \$ 10,512,270 |

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At June 30, 2025, endowment funds are of a permanent nature, the income from which is expendable for various restricted and general purposes, and are as follows:

| | |
|--------------------------------------|---------------------|
| Education Fund | \$ 1,033,745 |
| Silverman Fund | 819,461 |
| Lehman Principal Fund | 169,988 |
| Florence Joseph Fund | 116,524 |
| Oberndorf Fund-Psychiatric Treatment | 116,480 |
| Jacob Perlow Fund | <u>38,634</u> |
| Total | <u>\$ 2,294,832</u> |

Note 16 - Contingent liabilities

Government funding

The Agency receives a substantial amount of its operating support from federal, state and local governments and foundations and other grants. Pursuant to the Agency's contractual relationships with certain governmental funding sources and grantors, governmental agencies and grantors have the right to examine the books and records of the Agency involving transactions related to their contracts and grants. This may result in modified rates or retroactive adjustments. Financial awards from federal, state, and local governmental or other entities in the form of grants for the reimbursement of expenses and overhead applicable to various programs are subject to audits. Though the Agency estimated liabilities of certain balances due to third parties as included in Note 13 above, such programs and years for which these estimated liabilities related have not been audited by the funder or grantor. Future audits by funders may result in modified rates or retroactive adjustments or result in claims against the Agency for disallowed costs or noncompliance with funder and grantor restrictions not only for those listed in Note 13, but also to other funders and grantors and for audit years not included in the above due to third parties estimated liability.

Litigation

The Agency is a defendant in several lawsuits that have arisen in the ordinary course of business which it is prepared to defend vigorously. The ultimate outcome of these matters cannot be determined at this time. Accordingly, no provisions for any liability that may result from these matters have been made in these consolidated financial statements. Additionally, it is management's belief that any material liabilities that may arise from these lawsuits will be within the limits of the Agency's insurance policies.

During the year ended June 30, 2025, the Agency experienced a cybersecurity incident. As a result of the investigation, management believes that personally identifiable information and/or protected health information related to individuals of the Agency may have been compromised. The Agency prepared and sent notice letters to potentially impacted individuals and regulators as required by law. The Agency will continue to evaluate the information as it becomes known and will record an estimate for losses, which is not expected to be, but could be material, at the time when it is probable that a loss has been incurred and the amount of the loss can be reasonably estimated. This amount would be recorded net of insurance recoveries, if any. Given general risks and uncertainties related to this incident, it is reasonably possible that management's estimate may change in the next year and the effect could be material to the consolidated financial statements.

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Audits by government agencies

Financial awards from federal, state, and local governmental entities in the form of grants for the reimbursement of expenses and overhead applicable to various programs are subject to special audit. Such audits could result in claims against the Agency for disallowed costs or noncompliance with grantor restrictions.

Note 17- Employee Retention Credit

The Agency received Employee Retention Credit ("ERC") payments of \$805,519, \$12,371, and \$494,230 in June, July and August 2025, respectively, for a total of \$1,312,120, from the United States Treasury. The Agency recognized the grant revenue in accordance with guidance for conditional contributions; that is, once the measurable performance or other barrier and right of return of the ERC no longer existed. The ERC revenue is reflected in the consolidated statement of activities and change in net assets as contributions for the year ended June 30, 2025.

Note 18 - Commitments

Employee benefits

Multiple employer plan

The Agency contributes to the Retirement Plan for Employees of UJA-Federation of NY and Affiliated Agencies and Institutions (the "UJA Plan"), a multiple employer defined benefit pension plan administered by the United Jewish Appeal-Federation of Jewish Philanthropies of New York, Inc. ("UJA").

The UJA Plan is required to file an annual zone certification beginning with the 2014 UJA Plan year as required under the Cooperative and Small Employer Charity Pension Flexibility Act. The annual zone is filed with the UJA Plan sponsor and certifies to the funded status of the UJA Plan. If the UJA Plan's funded status is above 80%, no actions are required. If the UJA Plan's funded status is certified as below 80%, a funding restoration UJA Plan must be established to increase the funded status to 100% over a seven-year period. Based on the latest annual zone certification available, the UJA Plan was certified as 96% funded as of October 1, 2024.

The UJA Plan calls for benefits to be paid to eligible employees at retirement based primarily upon years of service and compensation rates near retirement. Pension expense for the year ended June 30, 2025 was \$2,673,686.

Deferred compensation plan

The Agency sponsors an Internal Revenue Code Section 457(b) Deferred Compensation Plan primarily for the purpose of providing deferred compensation for a select group of management or highly-compensated employees who are eligible for participation and elect to make salary deferrals under the Deferred Compensation Plan. These assets are fully vested and available to the participating employees at the point of termination of employment from JCCA. As of June 30, 2025, JCCA held assets and liabilities of \$1,196,769 under the plan. The assets are included in prepaid expenses and other assets and the liabilities are included in accrued payroll and related liabilities in the consolidated statement of financial position, respectively. See Note 4 for fair value hierarchy.

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403(b) Plan

JCCA and Edenwald sponsor a salary reduction contribution plan pursuant to Section 403(b) of the Internal Revenue Code ("403(b) Plan"), covering substantially all employees. Under the 403(b) Plan, employees contribute a specified percentage of their salary, or a fixed dollar amount, to the 403(b) Plan. The 403(b) Plan has no provision for employer contributions.

Note 19 - Concentrations

Financial instruments which potentially subject JCCA and Edenwald to concentration of credit risk consist primarily of cash and cash equivalents that are maintained in bank deposit accounts, which at times, may exceed the Federal Deposit Insurance Corporation's insurance coverage. The financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal.

JCCA receives approximately 56% of its revenues from the New York City Administration for Children Services for foster care and related programs.

Note 20 - Endowment fund

JCCA's endowment fund consists of equity and fixed income securities, and cash established for a variety of purposes. The endowment fund includes donor-restricted funds of a permanent nature. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

JCCA classifies as an endowment fund to be restricted in perpetuity (a) the original value of gifts of a permanent nature donated to the endowment, (b) the original value of subsequent gifts of a permanent nature to the endowment and (c) accumulations to the endowment of a permanent nature made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as donor-restricted in perpetuity is classified as donor-restricted for programs or purpose until those amounts are appropriated for expenditure by JCCA in a manner consistent with the standard of prudence prescribed by applicable laws and regulations.

JCCA considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the Agency and donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Agency, (7) the Agency's investment policies and (8) where appropriate, alternatives to spending from the donor-restricted endowment funds and the possible effects of those alternatives on JCCA.

Endowment investment and spending policies

JCCA's investment and spending policies attempt to provide sufficient income to meet various program expenses, and to extend the pursuit of JCCA's mission in perpetuity. The targeted rate of return on JCCA's investment assets is 3%. Under this policy, as approved by the Board of Trustees, the investment performance of JCCA's portfolio will be measured against currently available investment benchmarks of the same asset class.

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The spending policy is to distribute an amount equal to the annual Board of Trustees' approved spending policy for investment funds absent any donor restrictions in support of operations. Accordingly, the investment process seeks to achieve an after-cost total real rate of return, including investment income as well as capital appreciation, which exceeds the annual distribution with acceptable levels of risk. Endowment assets are invested in a well-diversified asset mix, which includes equity and debt securities, that is intended to result in a consistent inflation-protected rate of return that has sufficient liquidity to make an annual distribution as prescribed by each endowment while growing the funds if possible. Investment risk is measured in terms of the total endowment fund; investment assets and allocation between asset classes and strategies are managed to not expose the fund to unacceptable levels of risk.

To satisfy its long-term rate-of-return objectives, JCCA relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). JCCA targets a diversified asset allocation that places a greater emphasis on equity investments to achieve its long-term return objectives within prudent risk constraints.

JCCA may appropriate for distribution each year 3% of its endowment fund's average fair value over the prior two calendar years. In establishing this policy, JCCA considered the long-term expected return on its endowment. Accordingly, over the long-term, JCCA expects the current spending policy to allow its endowment to grow annually.

The Board of Trustees approved that JCCA appropriate no expenditures for the support of operations for the year ended June 30, 2025.

Endowment and donor-restricted net assets composition by type of fund as of June 30, 2025 is as follows:

| | Net assets | Net assets with donor restrictions | | Total |
|------------------------|---------------------|------------------------------------|---------------------|----------------------|
| | Board-designated | Temporary in nature | Permanent in nature | |
| Donor-restricted funds | \$ - | \$ 10,512,270 | \$ 2,294,832 | \$ 12,807,102 |
| Board-designated funds | 2,307,521 | - | - | 2,307,521 |
| | <u>\$ 2,307,521</u> | <u>\$ 10,512,270</u> | <u>\$ 2,294,832</u> | <u>\$ 15,114,623</u> |

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Changes in endowment and donor-restricted net assets for the year ended June 30, 2025 are as follows:

| | Net assets | Net assets with donor restrictions | | Total |
|--|---------------------|------------------------------------|---------------------|----------------------|
| | Board-designated | Temporary in nature | Permanent in nature | |
| Endowment and donor-restricted net assets, June 30, 2024 | \$ 2,175,397 | \$ 8,816,556 | \$ 2,294,832 | \$ 13,286,785 |
| Investment income | 75,145 | 210,526 | - | 285,671 |
| Contributions | 143,287 | 1,576,955 | - | 1,720,242 |
| Appropriations | <u>(86,308)</u> | <u>(91,767)</u> | <u>-</u> | <u>(178,075)</u> |
| Endowment and donor-restricted net assets, June 30, 2025 | <u>\$ 2,307,521</u> | <u>\$ 10,512,270</u> | <u>\$ 2,294,832</u> | <u>\$ 15,114,623</u> |

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires JCCA to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2025.

Note 21 - Liquidity and availability

The following represents the Agency's financial assets at June 30, 2025:

| | |
|---|-----------------------|
| Financial assets at year end: | |
| Cash and cash equivalents | \$ 3,994,956 |
| Investments at fair value | 86,660,744 |
| Accounts receivable, net | 28,683,104 |
| Contributions receivable | 755,487 |
| Restricted cash | 8,167,696 |
| Long-term investments at fair value | <u>2,294,832</u> |
| Total financial assets | <u>130,556,819</u> |
| Less amounts not available to be used within one year: | |
| Restricted cash | 8,167,696 |
| Long-term investments at fair value | <u>2,294,832</u> |
| | <u>10,462,528</u> |
| Financial assets available to meet general expenditures over the next 12 months | <u>\$ 120,094,291</u> |

The Agency endeavors to structure its financial assets to be available and liquid as its general expenditures, liabilities and other financial obligations become due. As part of its liquidity plan, the Agency has available \$9,000,000 of operating line of credit which can be drawn upon in the event of immediate liquidity needs. As of June 30, 2025, the Agency has an outstanding balance against this line of credit in the amount of \$7,000,000. See Note 10.

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Note 22 - Cash and cash equivalents and restricted cash

The following table provides a reconciliation of cash and cash equivalents and restricted cash presented in the consolidated statement of financial position that sum to the total of the same such amounts shown in the consolidated statement of cash flows as of June 30, 2025:

| | |
|---------------------------|-----------------------------|
| Cash and cash equivalents | \$ 3,994,956 |
| Restricted cash | <u>8,167,696</u> |
| Total | <u><u>\$ 12,162,652</u></u> |



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