

SCO Family of Services and Affiliate

Consolidated Financial Statements
June 30, 2025

SCO Family of Services and Affiliate

Consolidated Financial Statements
June 30, 2025

TABLE OF CONTENTS	Page
Independent Auditors' Report	
FINANCIAL STATEMENTS	
Consolidated Statement of Financial Position	4
Consolidated Statement of Activities	5
Consolidated Statement of Functional Expenses	6
Consolidated Statement of Cash Flows	7
Notes to Consolidated Financial Statements	8-34
SUPPLEMENTARY INFORMATION	
Consolidating Schedule of Financial Position	35
Consolidating Schedule of Activities	36

Independent Auditors' Report

Board of Directors
SCO Family of Services

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of SCO Family of Services and Affiliate, which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of SCO Family of Services and Affiliate as of June 30, 2025, and the consolidated changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SCO Family of Services and Affiliate 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 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 SCO Family of Services and Affiliate's ability to continue as a going concern within one year after the date that the consolidated financial statements are available to be issued.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 SCO Family of Services and Affiliate'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 SCO Family of Services and Affiliate'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 SCO Family of Services and Affiliate's 2024 consolidated financial statements and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated November 27, 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 consolidated financial statements from which it has been derived.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities are presented for purposes of additional analysis and are 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.

PKF O'Connor Davies, LLP

November 19, 2025

SCO Family of Services and Affiliate

Consolidated Statement of Financial Position June 30, 2025 (with comparative amounts at June 30, 2024)

	2025	2024
ASSETS		
Current Assets		
Cash and cash equivalents (Note 2)	\$ 13,186,777	\$ 6,285,375
Investments (Notes 2 and 4)	80,380,959	73,870,359
Program receivables, net of allowance for credit losses in amounts of \$4,199,793 and \$3,327,040 (Notes 2 and 5)	76,750,152	74,361,206
Prepaid expenses and other current assets	1,959,125	2,079,823
Custodial accounts (Note 2)	493,407	679,490
Total Current Assets	172,770,420	157,276,253
Debt service reserve (Note 7)	1,046,528	1,047,966
Security deposits and other assets	681,130	654,098
Assets held for sale (Note 6)	-	436,962
Right of use assets (Notes 2 and 15)	17,286,844	23,831,980
Property and equipment, net (Notes 2 and 6)	42,342,861	43,421,115
Assets with limited use: restricted cash, debt service funds (Notes 2 and 10)	4,535,000	4,535,000
Interest rate swap asset (Notes 2 and 4)	3,427,680	5,153,939
Restricted investments (Notes 2, 4, and 14)	1,442,996	1,442,996
	\$ 243,533,459	\$ 237,800,309
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 35,348,186	\$ 34,655,235
Accrued interest payable	358,113	276,853
Accrued pension obligation - current portion (Notes 2 and 12)	1,200,000	1,200,000
Custodial accounts (Note 2)	493,407	679,490
Deferred revenue, current portion (Note 2)	21,339,249	15,018,122
Lines of credit (Note 8)	3,000,000	6,000,000
Mortgages payable, net, current portion (Note 9)	693,289	639,327
Bonds payable, net, current portion (Note 10)	94,761	90,781
Lease payables, current portion (Notes 2 and 15)	7,360,068	8,434,912
Due to government agencies, current portion (Note 11)	3,330,428	1,303,482
Total Current Liabilities	73,217,501	68,298,202
Accrued pension obligation, net of current portion (Notes 2 and 12)	17,307,309	22,292,936
Deferred revenue, net of current portion (Note 2)	3,603,008	2,965,577
Mortgages payable, net (Note 9)	643,452	1,335,219
Bonds payable, net (Note 10)	42,545,074	44,213,193
Lease payables, net of current portion (Notes 2 and 15)	10,092,494	15,448,007
Due to government agencies, net of current portion (Note 11)	15,522,706	16,830,531
Total Liabilities	162,931,544	171,383,665
Net Assets (Deficit)		
Without donor restrictions - operations	86,849,120	76,208,303
Without donor restrictions - pension related changes other than net periodic pension cost as a result of the conversion from multi-employer plan to a single employer plan in calendar year 2012 (Note 12)	(9,485,311)	(13,755,938)
Total Net Assets (Deficit) Without Donor Restrictions	77,363,809	62,452,365
With donor restrictions- perpetual in nature (Note 14)	1,442,996	1,442,996
With donor restrictions- temporary in nature (Note 13)	1,795,110	2,521,283
Total Net Assets With Donor Restrictions	3,238,106	3,964,279
Total Net Assets	80,601,915	66,416,644
	\$ 243,533,459	\$ 237,800,309

See notes to consolidated financial statements

SCO Family of Services and Affiliate

Consolidated Statement of Activities Year Ended June 30, 2025 (with summarized totals for the year ended June 30, 2024)

	2025			2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	
OPERATING REVENUE AND SUPPORT				
Government revenue	\$ 253,660,165	\$ 394,790	\$ 254,054,955	\$ 243,176,257
Foundations and other grants	1,459,699	270,442	1,730,141	2,056,498
Prior year cost reimbursement adjustments	2,070,957	-	2,070,957	1,946,658
Contributions	157,806	70,710	228,516	241,228
Investment return used for operations	2,841,800	-	2,841,800	2,602,900
Other income	2,156,723	14,043	2,170,766	3,185,596
Special events, less costs with direct benefit to donors of \$413,383 and \$358,794	212,889	130,886	343,775	376,971
Net assets released from restrictions (Note 13)	1,724,017	(1,724,017)	-	-
Total Operating Revenue and Support	<u>264,284,056</u>	<u>(843,146)</u>	<u>263,440,910</u>	<u>253,586,108</u>
OPERATING EXPENSES				
Program Services				
Foster care services	76,047,603	-	76,047,603	72,287,801
Family support services	8,287,549	-	8,287,549	8,035,071
Early childhood services	16,674,609	-	16,674,609	16,925,378
Special needs and behavioral health services	73,868,851	-	73,868,851	71,083,837
Education and youth development services	28,713,042	-	28,713,042	29,603,248
Shelters and homeless services	25,923,915	-	25,923,915	23,743,425
Total Program Services	<u>229,515,569</u>	<u>-</u>	<u>229,515,569</u>	<u>221,678,760</u>
Supporting Services				
Management and general	30,829,132	-	30,829,132	29,645,908
Development	1,105,239	-	1,105,239	1,294,975
Total Supporting Services	<u>31,934,371</u>	<u>-</u>	<u>31,934,371</u>	<u>30,940,883</u>
Total Operating Expenses	<u>261,449,940</u>	<u>-</u>	<u>261,449,940</u>	<u>252,619,643</u>
Change in Net Assets From Operations	2,834,116	(843,146)	1,990,970	966,465
NONOPERATING CHANGES				
Interest and dividend income	3,183,833	-	3,183,833	2,492,902
Realized and unrealized gains on securities	3,151,328	116,973	3,268,301	3,932,252
Change in unfunded pension obligation (Note 12)	4,270,627	-	4,270,627	5,439,502
Loss on interest rate swap	(1,726,259)	-	(1,726,259)	(149,875)
Gain (loss) on asset disposal (Note 6)	59,081	-	59,081	(232,334)
Gain on sale of building (Note 6)	3,138,718	-	3,138,718	-
Change in Net Assets	14,911,444	(726,173)	14,185,271	12,448,912
NET ASSETS				
Beginning of year	<u>62,452,365</u>	<u>3,964,279</u>	<u>66,416,644</u>	<u>53,967,732</u>
End of year	<u>\$ 77,363,809</u>	<u>\$ 3,238,106</u>	<u>\$ 80,601,915</u>	<u>\$ 66,416,644</u>

See notes to consolidated financial statements

SCO Family of Services and Affiliate

Consolidated Statement of Functional Expenses Year Ended June 30, 2025 (with summarized totals for the year ended June 30, 2024)

	Program Services						Supporting Services			2025 Total Expenses	2024 Total Expenses	
	Foster Care Services	Family Support Services	Early Childhood Services	Special Needs and Behavioral Health Services	Education and Youth Development Services	Shelters and Homeless Services	Total Program Services	Management and General	Development			Total Supporting Services
Salaries	\$ 36,048,405	\$ 5,341,985	\$ 7,140,926	\$ 41,150,875	\$ 15,008,863	\$ 6,726,063	\$ 111,417,117	\$ 10,658,443	\$ 581,222	\$ 11,239,665	\$ 122,656,782	\$ 119,481,979
Employee fringe benefits	11,820,532	1,814,386	2,404,928	12,474,184	4,810,087	2,263,016	35,587,133	3,639,342	198,185	3,837,527	39,424,660	39,250,875
Total Salaries and Fringe Benefits	47,868,937	7,156,371	9,545,854	53,625,059	19,818,950	8,989,079	147,004,250	14,297,785	779,407	15,077,192	162,081,442	158,732,854
Foster care pass through	11,220,237	-	-	-	-	-	11,220,237	-	-	-	11,220,237	10,442,261
Professional fees	210,466	3,987	6,319	61,348	253,896	8,894	544,910	3,168,322	153,062	3,321,384	3,866,294	4,227,142
Contractual services	1,032,631	118,287	5,489,850	3,621,629	3,636,516	6,544,938	20,443,851	6,373,845	33,686	6,407,531	26,851,382	24,233,137
Utilities	861,192	29,505	9,446	1,198,265	270,216	816,071	3,184,695	82,458	1,057	83,515	3,268,210	3,095,441
Telephone and internet	285,919	30,193	55,179	342,220	87,402	63,946	864,859	106,501	5,807	112,308	977,167	1,240,797
Transportation and staff travel	698,510	71,763	26,380	713,011	214,386	40,809	1,764,859	46,184	3,307	49,491	1,814,350	1,800,052
Repairs and maintenance	1,853,006	33,852	112,118	2,271,357	930,698	1,373,571	6,574,602	58,115	860	58,975	6,633,577	7,097,507
Postage and supplies	948,786	24,232	120,936	913,028	410,250	378,382	2,795,614	654,282	52,566	706,848	3,502,462	3,397,288
Program activities/incidentals	2,004,341	196,483	285,299	2,008,318	611,176	164,731	5,270,348	8,821	57,893	66,714	5,337,062	4,895,400
Food	1,938,928	30,892	319,376	1,666,585	311,954	1,098,104	5,365,839	692	85,349	86,041	5,451,880	5,147,989
Rental and lease expense (Note 15)	1,384,085	248,192	224,907	1,596,574	156,248	5,569,156	9,179,162	1,062,664	261,782	1,324,446	10,503,608	10,593,707
Recruiting and staff development	621,546	18,040	52,321	197,394	52,380	22,030	963,711	82,237	5,975	88,212	1,051,923	830,314
Insurance	3,441,680	243,710	407,441	2,937,832	1,134,022	612,041	8,776,726	707,000	33,369	740,369	9,517,095	8,520,081
Fees, assessments and taxes	106,768	7,606	837	1,118,381	15,185	207,236	1,456,013	923,686	19,852	943,538	2,399,551	2,138,440
Interest	534,397	38,638	10,178	535,622	368,557	20,830	1,508,222	704,294	3,289	707,583	2,215,805	2,643,342
Depreciation and amortization (Notes 2 and 6)	1,036,174	35,798	8,168	1,062,228	441,206	14,097	2,597,671	992,146	21,361	1,013,507	3,611,178	3,642,685
Total Expenses Before Bad Debt Expense	76,047,603	8,287,549	16,674,609	73,868,851	28,713,042	25,923,915	229,515,569	29,269,032	1,518,622	30,787,654	260,303,223	252,678,437
Less: special events	-	-	-	-	-	-	-	-	(413,383)	(413,383)	(413,383)	(358,794)
Bad debt expense	-	-	-	-	-	-	-	1,560,100	-	1,560,100	1,560,100	300,000
Total Expenses	\$ 76,047,603	\$ 8,287,549	\$ 16,674,609	\$ 73,868,851	\$ 28,713,042	\$ 25,923,915	\$ 229,515,569	\$ 30,829,132	\$ 1,105,239	\$ 31,934,371	\$ 261,449,940	\$ 252,619,643

See notes to consolidated financial statements

SCO Family of Services and Affiliate

Consolidated Statement of Cash Flows Year Ended June 30, 2025

(with comparative amounts for the year ended June 30, 2024)

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 14,185,271	\$ 12,448,912
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	3,611,178	3,642,685
Bad debt expense	1,560,100	300,000
Amortization of deferred financing costs	250,760	294,148
Amortization of right of use assets	7,873,370	8,425,450
Amortization of bond premium/discount	3,160	3,161
Investments used in operations	(2,841,800)	(2,602,900)
Unrealized gain on securities	(323,771)	(3,332,967)
Realized gain on sale of securities	(2,944,528)	(599,285)
Change in unfunded pension obligation	(4,270,627)	(5,439,502)
Gain on sale of building	(3,138,718)	-
(Gain) loss on asset disposal	(59,081)	232,334
Loss on interest rate swap	1,726,259	149,875
Donated stock	(55,024)	(48,356)
Changes in operating assets and liabilities		
Program receivables	(3,949,046)	(7,531,862)
Prepaid expenses and other current assets	120,698	534,855
Security deposits and other assets	(27,032)	30,800
Lease payables	(6,811,267)	(7,451,357)
Accounts payable and accrued expenses	692,951	1,884,828
Deferred revenue	6,958,558	6,973,824
Due to government agencies	719,121	924,605
Accrued interest payable	81,260	81,261
Accrued pension obligation	(715,000)	(549,000)
Net Cash from Operating Activities	12,646,792	8,371,509
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment, net	(2,473,843)	(934,835)
Proceeds from sale of building	3,575,680	-
Purchases of securities	(12,152,356)	(2,312,304)
Proceeds from sales of securities	11,655,024	1,705,466
Change in short term securities	151,855	51,194
Net Cash from Investing Activities	756,360	(1,490,479)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from lines of credit	-	14,504,438
Principal payments on lines of credit	(3,000,000)	(18,756,657)
Principal payments on mortgages payable	(742,018)	(718,325)
Proceeds from bonds payable	-	235,000
Principal payments on bonds payable	(1,813,846)	(1,986,918)
Lease payments	(947,324)	(867,462)
Net Cash from Financing Activities	(6,503,188)	(7,589,924)
Change in Cash, Cash Equivalents and Restricted Cash	6,899,964	(708,894)
CASH, CASH EQUIVALENTS AND RESTRICTED CASH		
Beginning of year	11,868,341	12,577,235
End of year	\$ 18,768,305	\$ 11,868,341
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 2,215,805	\$ 2,643,342
Right-of-use asset acquired through finance leases	82,891	376,064
Right-of-use asset acquired through operating leases	1,129,458	2,085,604
Write off of right of use asset acquired through operating leases	-	336,303

See notes to consolidated financial statements

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

1. Organization

Nature of Organization

SCO Family of Services is a not-for-profit corporation that provides human services to children, young adults and families in metropolitan New York. Each year, its programs reach more than 45,000 New Yorkers in need. Its core service areas include preventive services, foster care and adoption, youth development services, homeless services, schools, school-based programs, mental health programs and services and homes for people with developmental disabilities.

SCO Foundation Inc. ("SCO Foundation") is a not-for-profit corporation that is the holder of predominantly all of SCO Family of Services' investment assets.

Principles of Consolidation

The consolidated financial statements include the accounts of SCO Foundation, of which SCO Family of Services is the sole member. All intercompany accounts and transactions have been eliminated. The consolidated entity is referred to as "SCO".

2. Summary of Significant Accounting Policies

Basis of Presentation

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

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Net Asset Presentation

The classification of SCO's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Net Asset Presentation

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Net assets with donor restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents include investments in highly liquid debt instruments with maturities of three months or less at time of purchase.

As of June 30, cash, cash equivalents and restricted cash consisted of the following:

	<u>2025</u>	<u>2024</u>
Cash and cash equivalents	\$ 13,186,777	\$ 6,285,375
Restricted Cash		
Assets with limited use, debt service funds	4,535,000	4,535,000
Debt service reserve	<u>1,046,528</u>	<u>1,047,966</u>
	<u>\$ 18,768,305</u>	<u>\$ 11,868,341</u>

Investments at Fair Value and Income Recognition

Investments in marketable securities are stated at fair value with changes in the fair value of investments recorded in the consolidated statement of activities. Realized gains and losses resulting from sales of securities are calculated on the specific identification basis. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Gains or losses that result from market fluctuations are recorded as unrealized gains and losses. Net investment income earned on investment reserve funds is reflected within net assets with donor restrictions. SCO has a “total return” policy in regards to the spending of net investment income for operations. The total return to be spent annually is equal to approximately 4% of the average fair value of the previous fiscal year as approved by the Board of Directors and reported as part of operations on the consolidated statement of activities. For fiscal 2025 and 2024, the approved return was \$2,841,800 and \$2,602,900, respectively, and was used for certain operating expenditures.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Leases

SCO determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right of use (“ROU”) assets and lease liabilities on the consolidated statement of financial position. ROU assets represent the right to an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. SCO determines lease classification as operating or financing at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for initial direct costs, prepaid or deferred rent, and lease incentives. SCO has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury Instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or terminate the lease that SCO is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

SCO has elected not to record leases with an initial term of 12 months or less on the consolidated statement of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

For the years ended June 30, 2025 and 2024, leases are classified in accordance with the terms of the underlying agreements. Lease payments are charged to rent expense.

Program Receivables

Program receivables are recorded at amortized cost less an allowance for credit losses that are not expected to be recovered. The amount of program receivables and corresponding allowance for credit losses are presented on the consolidated statements of financial position. SCO maintains allowances for credit losses resulting from the expected failure or inability of its customers to make required payments. SCO recognizes the allowance for credit losses at inception and reassesses at every reporting date based on the asset’s expected collectability.

SCO considers receivables past due or delinquent when payments have not been received in a timely manner, and receivables are written off when management deems the possibility of collecting amounts due as completely unlikely. SCO closely monitors outstanding balances for all receivables and adheres to a standard set of protocols for collection activities to be undertaken at certain times based upon delinquency status. The allowance is based on multiple factors including historical experience with uncollectible accounts, the credit quality of the customer base, the aging of such receivables and current macroeconomic conditions as well as reasonable and supportable forecasts. SCO’s allowance for credit losses is based on the assessment of the collectability of assets pooled together with similar risk characteristics.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Program Receivables (continued)

SCO's program receivables represents balances principally due from government programs for services rendered and are reported at their estimated realizable values. At July 1, 2023, contract receivables amounted to \$15,225,059 and contract liabilities amounted to \$0. Contract receivables were approximately \$17,663,777 and \$23,421,454 at June 30, 2025 and 2024.

Management makes estimates of the collectability from credit losses on all financial assets within the scope of ASU 2016-13. Management analyzes relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts when evaluating the adequacy of the allowance for credit losses. The allowance for credit losses was \$4,199,793 and \$3,327,040 at June 30, 2025 and 2024 and consists of the following:

	<u>2025</u>	<u>2024</u>
Balance, Beginning of Year	\$ 3,327,040	\$ 3,369,445
Credit losses	1,560,100	300,000
Amounts written off charged against the allowance	<u>(687,347)</u>	<u>(342,405)</u>
Balance, End of Year	<u>\$ 4,199,793</u>	<u>\$ 3,327,040</u>

Debt Issuance Costs

Debt issuance costs are comprised of expenses incurred to obtain construction loans and legal, professional and commitment fees paid in connection with the closing of long-term debt financings.

Debt issuance costs are reported on the consolidated statement of financial position as a direct deduction from the face amount of the debt. These costs are amortized using the effective interest method over the term of the related loans. SCO reflects amortization of debt issuance costs within interest expense, in accordance with U.S. GAAP.

Custodial Accounts

Custodial accounts primarily represent supplemental Social Security funds, plus accrued interest on those funds, which are held by SCO on behalf of certain clients in its care.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method for financial reporting as follows:

Building and improvements	10 - 40 years
Furniture, equipment and vehicles	3 - 20 years
Leasehold improvements	3 - 25 years

Leasehold improvements and equipment under capital leases are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

SCO follows the policy of capitalizing all acquisitions in excess of \$5,000 and a useful life of 2 years or more. Maintenance and repairs are charged to operations when incurred. When items are sold or otherwise disposed of, the asset account and related accumulated depreciation account are relieved, and any gain or loss is included in nonoperating changes in the accompanying consolidated statement of activities.

Items of furniture and equipment, where title is held by the granting agency, are expensed when purchased.

Long-Lived Assets

In accordance with the provisions of ASC 360, SCO reviews long-lived assets for impairment when circumstances indicate that the carrying amount of an asset may not be recoverable based on the undiscounted cash flows of the asset. If the carrying amount of an asset may not be recoverable, a write-down to fair value is recorded. Fair values are determined based on the undiscounted cash flows, quoted market values or external appraisals, as applicable. Long-lived assets are reviewed for impairment at the individual asset or the asset group level for which the lowest level of independent cash flows can be identified. There were no impairment losses recognized for the years ended June 30, 2025 and 2024.

Third-Party Reimbursements and Revenue Recognition

SCO receives substantially all of its revenue for services provided from governmental agencies, including the Office for People with Developmental Disabilities (“OPWDD”), New York City Administration for Children’s Services (“ACS”), Office of Mental Health (“OMH”), Office of Children and Family Services (“OCFS”), New York State Department of Homeless Services (“DHS”), New York State Department of Education (“SED”) and Medicaid. 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.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Third-Party Reimbursements and Revenue Recognition (continued)

SCO follows the five-step framework under Accounting Standards Update (“ASU”) 2014-09 to determine the timing and amount of revenue to recognize related to contracts with customers. Contracts that are subject to ASU 2014-09 include a single performance obligation that is satisfied either at a point in time or over time. When revenue is earned over a period that spans the year end it is recognized in the applicable period in which it is earned. SCO does not recognize revenue until collection is probable. SCO concluded that all revenue recognized is probable of collection due to the nature of the funding sources and SCO’s strong collection experience with regard to those funding sources.

Grant revenue is recognized in amounts equal to expenses incurred by SCO in administering the related program. Upon termination, any unexpended funds received under the terms of the grant provisions revert to the grantor.

Receipts under certain government-funded fee-for-services contract programs, which have not been spent due to budget modifications, are available for application to future years’ renewal contracts and are therefore classified as deferred revenue.

Conditional Asset Retirement Obligations

SCO accounts for Conditional Asset Retirement Obligations (“CARO”) in accordance with U.S. GAAP, which defines a conditional asset retirement obligation as a legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The fair value of the CARO is recorded on a discounted basis and accreted over time for the change in fair value. Management has determined that there were no CARO liabilities that are required to be recorded.

Allocation Methodology

Common costs incurred for the administration of the various programs are allocated directly to respective programs as incurred and/or utilizing predetermined allocation rates established by management. Such allocation rates may be based on square footage for shared office space and census or expense ratios for program management costs. Agency administration costs are distributed on a ratio value basis.

Assets With Limited Use

Assets with limited use consist of restricted cash - debt service funds. Restricted cash - debt service funds are required under the bond financing agreements, plus interest earned.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Contributions and Promises to Give

SCO is required to determine whether contributions are conditional or unconditional. Unconditional contributions are recognized immediately and classified as either net assets with donor restrictions or net assets without donor restrictions. Conditional contributions are accounted for as a liability or are not recognized as revenue initially. Once the barriers to entitlement are overcome, the transaction is recognized as unconditional and classified as either net assets with donor restrictions or net assets without donor restrictions. For a donor-imposed condition to exist, a right of return or release must be stated, and the agreement must include a performance-related condition or other measurement barrier. When donor restrictions expire, 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 reported in the consolidated statement of activities as net assets released from restriction.

Contributions of property and services are recorded at the fair value of the property and services at the time of contribution.

Medical Self-Insurance

SCO maintains a self-insured medical plan for its employees. The accrued liability for the self-insured components of the plan includes an estimate of the incurred but not yet reported claims expense. This liability is included in accounts payable and accrued expenses on the consolidated statement of financial position.

Substantially all of SCO's employees and their dependents are eligible to participate in SCO's employee health insurance plan. SCO is self-insured for health claims of participating employees and dependents up to an annual aggregate amount of \$200,000 per covered employee. Commercial stop-loss insurance coverage is purchased for claims in excess of the aggregate annual amount. A provision is accrued for self-insured employee health claims including both claims reported and claims incurred but not yet reported. The accrual is estimated based on consideration of prior claims experience, recently settled claims, frequency of claims and other economic and social factors. It is reasonably possible that SCO's estimate will change by a material amount in the near term.

Activity in SCO's accrued employee health claims liability during the years ended June 30, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Balance, beginning of year	\$ 2,978,251	\$ 2,813,368
Current year claims incurred and changes in estimates for claims incurred in prior years	24,706,070	22,768,170
Claims and expenses paid	<u>(24,928,390)</u>	<u>(22,603,287)</u>
Balance, end of year	<u>\$ 2,755,931</u>	<u>\$ 2,978,251</u>

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Income Taxes

SCO was incorporated in the State of New York and is exempt from Federal, state and local income taxes under Section 501(c)(3) of the Internal Revenue Code (the "Code"). SCO has been determined by the Internal Revenue Service ("IRS") not to be a "private foundation" within the meaning of Section 509(a) of the Code.

SCO adopted the provisions of ASC 740, "Income Taxes". Under ASC 740, an organization must recognize the tax liability associated with tax positions taken for tax return purposes when it is more likely than not the position will not be sustained upon examination by a taxing authority.

SCO does not believe they have taken any material uncertain tax positions and, accordingly, has not recorded any liability for unrecognized tax benefits. SCO has filed for and received income tax exemptions in the jurisdictions where they are required to do so. Additionally, SCO has filed IRS Form 990 information returns, as required, and all other applicable returns in jurisdictions where so required. For the years ended June 30, 2025 and 2024, there were no interest or penalties recorded or included in the consolidated statement of activities. SCO is subject to routine examinations by a taxing authority. As of June 30, 2025, SCO was not subject to any examination by a taxing authority. Management believes it is no longer subject to income tax examination for the years prior to 2021.

Concentration of Credit Risk

Financial instruments which potentially subject SCO to concentration of credit risk consist primarily of cash and cash equivalents, investments and program receivables. Deposits held at financial institutions insured by the Federal Deposit Insurance Corporation ("FDIC") are insured up to \$250,000. Investment holdings at financial institutions insured by the Securities Investor Protection Corporation ("SIPC") are insured up to \$500,000 (\$250,000 of cash holdings). At times balances may exceed the FDIC or SIPC limit. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal. As of June 30, 2025 and 2024, the uninsured portion of cash and cash equivalents balances was \$12,910,281 and \$6,066,562. As of June 30, 2025 and 2024, the uninsured portion of investment holdings totaled \$82,253,955 and \$74,813,355. The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of risk.

A significant portion of SCO's program receivables consist of reimbursements owed from government agencies for services performed under their program contracts. As such, collection is deemed probable.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

2. Summary of Significant Accounting Policies *(continued)*

Endowment Fund

SCO's endowment consists of investments that are perpetual in nature under ASC 958, "Not-for-Profit Entities". On September 17, 2010, New York State enacted the New York Prudent Management of Institutional Funds Act ("NYPMIFA"). This law, which is a modified version of Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), makes significant changes to the rules governing how New York not-for-profit organizations may manage, invest and spend their endowment funds. The law is designed to allow organizations to cope more easily with fluctuations in the value of their endowments and to afford them greater access to funds needed to support their programs and services in difficult financial times.

Operating Measure

The consolidated statement of activities separately reports changes in net assets from operating and non-operating activities. Operating activities consist principally of revenue and expenses related to program and supporting activities.

3. Liquidity and Availability of Financial Assets

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

	<u>2025</u>	<u>2024</u>
Financial Assets:		
Cash and cash equivalents	\$ 13,186,777	\$ 6,285,375
Investments	80,380,959	73,870,359
Program receivables, net	<u>76,750,152</u>	<u>74,361,206</u>
Total Financial Assets	170,317,888	154,516,940
Less: program receivables which management expects collected after fiscal 2026 and 2025, respectively	(2,368,647)	(914,343)
Less: amounts restricted by donor with time or purpose restriction	<u>(1,795,110)</u>	<u>(2,521,283)</u>
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	<u>\$ 166,154,131</u>	<u>\$ 151,081,314</u>

SCO structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To help manage unanticipated liquidity needs, SCO has committed a line of credit in the amount of \$25,000,000 (see Note 8). In addition, SCO receives cash flow from contributions and grants made from donors through its fundraising efforts.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

4. Investments

SCO's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of SCO's policies regarding this hierarchy.

The financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. SCO's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the placement within the fair value hierarchy levels.

Indexed Mutual Funds

SCO has investments in indexed mutual funds. The indexed mutual funds are traded at quoted prices through the National Securities Clearing Corporation. Management has reviewed the fair value classifications and has determined that Level 1 is the most appropriate classification.

Fixed Income

SCO has investments in fixed income securities. These investments are priced by SCO's custodian using nationally recognized pricing services. SCO's fixed income investments include United States government obligations and corporate bonds. Since these securities do not trade on a daily basis, the pricing services prepare estimates of fair value measurements for these securities using their proprietary pricing applications, which include relevant market information, benchmark curves, benchmarking of similar securities, sector groupings and matrix pricing. These investments are classified as Level 2.

Interest Rate Swap

SCO has entered into various interest rate swap agreements to minimize its risk of the possible effects of increases in interest rates on the Series 2021 bonds (see Note 10). The change in fair value of the interest rate is recognized in the consolidated statement of activities.

The fair value of the interest rate swap is estimated using Level 2 inputs, which are based on model-derived valuations in which all significant inputs and significant value drivers are observable in active markets

	Notional Amount	Fair Value	
		At June 30, 2025	At June 30, 2024
Interest rate swap agreements with M&T Bank and TD Bank with fixed rates ranging from 2.98% - 3.61%. The banks pay a variable rate of interest based on US Dollar SOFR. The swap agreements result in fixed interest rates despite any fluctuations from the floating rate per the debt agreements. The agreements provide for monthly settlements and mature September 1, 2031.	\$ 48,630,708	\$ 3,427,680	\$ 5,153,939

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements June 30, 2025 and 2024

4. Investments (continued)

At June 30, 2025, investments in marketable securities and cash and cash equivalents were as follows:

	Cost	Fair Value
Indexed mutual funds	\$ 38,800,314	\$ 57,665,388
Fixed Income:		
Government bonds	25,728,921	23,620,094
	64,529,235	81,285,482
Cash and cash equivalents, at cost	538,473	538,473
	\$ 65,067,708	\$ 81,823,955

At June 30, 2024, investments in marketable securities and cash and cash equivalents were as follows:

	Cost	Fair Value
Indexed mutual funds	\$ 31,792,455	\$ 48,741,687
Fixed Income:		
Government bonds	29,239,896	25,881,340
	61,032,351	74,623,027
Cash and cash equivalents, at cost	690,328	690,328
	\$ 61,722,679	\$ 75,313,355

The following tables set forth by level, within the fair value hierarchy, SCO's financial assets measured at fair value on a recurring basis at June 30, 2025 and 2024. Fair value equals carrying value:

	Assets at Fair Value at June 30, 2025			Total
	Level 1	Level 2	Level 3	
Assets:				
Indexed mutual funds	\$ 57,665,388	\$ -	\$ -	\$ 57,665,388
Fixed Income:				
Government bonds	-	23,620,094	-	23,620,094
Interest rate swap	-	3,427,680	-	3,427,680
	\$ 57,665,388	\$ 27,047,774	\$ -	\$ 84,713,162

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

4. Investments (continued)

	Assets at Fair Value at June 30, 2024			Total
	Level 1	Level 2	Level 3	
Assets:				
Indexed mutual funds	\$ 48,741,687	\$ -	\$ -	\$ 48,741,687
Fixed Income:				
Government bonds	-	25,881,340	-	25,881,340
Interest rate swap	-	5,153,939	-	5,153,939
	\$ 48,741,687	\$ 31,035,279	\$ -	\$ 79,776,966

There were no transfers between levels during the years ended June 30, 2025 and 2024.

5. Program Receivables

SCO's program receivables were comprised of the following at June 30:

	2025	2024
Foster care services	\$ 18,951,431	\$ 17,991,124
Family support services	3,484,763	3,156,525
Early childhood services	9,640,615	6,783,096
Special needs and behavioral health services	11,402,532	12,037,134
Education and youth development services	15,819,132	20,652,263
Shelters and homeless services	21,651,472	16,877,881
Other	-	190,223
	80,949,945	77,688,246
Allowance for credit losses	(4,199,793)	(3,327,040)
	\$ 76,750,152	\$ 74,361,206

6. Property and Equipment

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

	2025	2024
Land	\$ 1,906,913	\$ 1,906,913
Building and improvements	89,328,652	87,020,326
Furniture, equipment	12,798,734	15,771,834
Leasehold improvements	2,413,430	2,413,430
	106,447,729	107,112,503
Less: accumulated depreciation and amortization	(64,104,868)	(63,691,388)
Property and Equipment, net	\$ 42,342,861	\$ 43,421,115

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

6. Property and Equipment

At June 30, 2025 and 2024, there were \$17,421,923 and \$18,304,951, respectively, of fully depreciated assets still in use by SCO.

During the year ended June 30, 2025, SCO finalized the sale of six properties located in Long Island, New York. At June 30, 2024, these properties were reported in the consolidated statement of financial position as “assets held for sale” for \$436,962. Proceeds of the sale totaled \$3,575,680 resulting in a gain of \$3,138,718. Of the six properties sold, five of them were originally purchased with Suffolk County Economic Development Corporation Revenue Bonds (“SCEDC”). SCO has designated an account for future capital spending with the \$3,575,680 of sales proceeds.

During the year ended June 30, 2025, SCO disposed of property and equipment and related accumulated depreciation of \$3,138,617 and \$3,197,698 resulting in a gain of \$59,081. During the year ended June 30, 2024, SCO disposed of property and equipment and related accumulated depreciation in the amounts of \$2,903,787 and \$2,671,453 resulting in a loss of \$232,334. These amounts were reported as a gain and loss on asset disposal, respectively, on the accompanying consolidated statement of activities for the years ended June 30, 2025 and 2024.

7. Debt Service Reserve

Under the terms of various bonds, SCO deposited with the bond trustee amounts to be held in reserve which will be withdrawn to satisfy the future installments of the bonds. Interest earned on this reserve fund will be used to reduce SCO’s payment obligation under the bonds. The debt service reserve amounted to \$1,046,528 and \$1,047,966, which consists of cash and cash equivalents at both June 30, 2025 and 2024.

8. Lines of Credit

SCO has a line of credit with an available limit of \$25,000,000, which is due on demand and expires September 24, 2025. Interest, which is payable on demand, was based on the prime rate and the London Interbank Offered Rate (“LIBOR”) as of June 30, 2022. Effective June 1, 2023, LIBOR was replaced by the Secured Overnight Financing Rate (“SOFR”). Interest rates were 6.43% and 7.44% at June 30, 2025 and 2024, respectively. At June 30, 2025 and 2024, the outstanding balance was \$3,000,000 and \$6,000,000, respectively. The line of credit was renewed subsequent to June 30, 2025 (see Note 16).

The borrowings are based on the market value of underlying investments pledged as collateral. The lines of credit are further secured by SCO’s program receivables.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

9. Mortgages Payable

Mortgages payable included the following at June 30:

	2025	2024
Mortgage payable to TD Bank, due July 1, 2027, with annual principal totals ranging from \$426,891 to \$641,051, including interest at the rate of 2.8% per annum; secured by real estate located in Jamaica, New York.	\$ 1,131,739	\$ 1,752,710
Mortgage payable to the Dormitory Authority State of New York ("DASNY"), due February 24, 2028, payable in annual installments ranging from \$50,748 to \$133,421, including interest of 4.76%, secured by real estate located in Dix Hills, New York.	<u>356,577</u>	<u>477,623</u>
Total Mortgages Payable	1,488,316	2,230,333
Less: Current maturities	<u>(768,128)</u>	<u>(743,540)</u>
	<u>\$ 720,188</u>	<u>\$ 1,486,793</u>

Future annual principal payments of SCO's mortgages payable are as follows for the years ending June 30:

2026	\$ 768,128
2027	624,108
2028	<u>96,080</u>
	<u>\$ 1,488,316</u>

Debt issuance costs, net of accumulated amortization, are recorded as a reduction to mortgages payable on the consolidated statement of financial position. Debt issuance costs consist of the following as of June 30:

	2025	2024
Debt issuance costs	\$ 667,002	\$ 667,002
Less: accumulated amortization	<u>(515,427)</u>	<u>(411,215)</u>
	<u>\$ 151,575</u>	<u>\$ 255,787</u>

Mortgages payable, net consist of the following as of June 30:

	2025	2024
Mortgages payable	\$ 1,488,316	\$ 2,230,333
Less: unamortized debt issuance costs	<u>(151,575)</u>	<u>(255,787)</u>
	<u>\$ 1,336,741</u>	<u>\$ 1,974,546</u>

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements June 30, 2025 and 2024

10. Bonds Payable

In June 2007, SCO obtained financing of \$1,554,500 of insured revenue bonds through the Dormitory Authority of the State of New York (“DASNY”) for the purpose of refinancing the acquisition and construction of two facilities.

The bonds, which require annual payments, bear interest at 5% and are secured by the related properties.

Principal	Series
\$ 1,135,400	DASNY Series 2007A, interest rate of 5%, due December 1, 2031
419,100	DASNY Series 2007B, interest rate of 5%, due December 1, 2031

Unamortized premium costs relating to the issuance of the Series A and B bonds were \$14,971 and \$5,578, respectively, at June 30, 2025 and \$17,275 and \$6,434, respectively, at June 30, 2024. The unamortized premium costs are amortized over the term of the indebtedness of the total amount issued and included in bonds payable in the consolidated statement of financial position. Debt issuance costs, net of accumulated amortization, totaled \$12,098 and \$13,959 as of June 30, 2025 and 2024, respectively, and are recorded as a reduction in bonds payable on the accompanying consolidated statement of financial position.

On September 23, 2021, SCO obtained financing of \$35,660,000 of insured revenue bonds through Nassau Local Economic Assistance Corporation (“LEAC”), Build NYC Resource Corporation and the Suffolk County Economic Development Corporation (“EDC”) for the purpose of refinancing the existing Series 2013 bonds. Additionally, SCO converted its capital bridge line of credit to long-term debt as part of this transaction, where \$14,390,000 was made available to SCO as tax-exempt financing on a delayed draw basis, to be drawn upon for future capital projects at various locations.

The Series 2021 bonds, which require payments as noted below, bear interest rates ranging from 2.5% to 3.1% as of June 30, 2025, and are secured by the related properties.

Principal	Series
\$ 8,695,000	TD Bank Nassau LEAC Series 2021A-A, annual principal payment, interest rate 2.5%, due July 1, 2041
15,220,000	TD Bank Nassau LEAC Series 2021A-B, annual principal payment, interest rate 3.1%, due July 1, 2041
6,715,000	People’s United Bank Build NYC Resource Corporation Series 2021B-A, annual principal payment, interest rate 2.5%, due July 1, 2041
4,160,000	People’s United Bank Suffolk County EDC Series 2021C-A, annual principal payment, interest rate 2.5%, due July 1, 2041
11,310,000	People’s United Bank Build NYC Resource Corporation Series 2021B-B, delayed draw bond with annual principal payments beginning July 1, 2024, interest rate 2.5%, due July 1, 2041
3,080,000	People’s United Bank Suffolk County EDC Series 2021C-B, delayed draw bond with annual principal payments beginning July 1, 2024, interest rate 2.5%, due July 1, 2041

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

10. Bonds Payable (continued)

The delayed draw bond balance outstanding for series 2021B-B and 2021C-B totaled \$8,515,000 and \$100,000 as of June 30, 2025 and \$9,145,000 and \$100,000 as of June 30, 2024 and is recorded in bond notes payable on the consolidated statement of financial position. The remaining portion of the bonds that have not been drawn down on is recorded on the consolidated statement of financial position as assets with limited use: restricted cash, debt service fund. SCO expects to draw on the remaining available funds in fiscal 2026.

Debt issuance costs for the Series 2021 bonds, net of accumulated amortization, totaled \$1,445,239 and \$1,588,800 as of June 30, 2025 and 2024, respectively, and are recorded as a reduction in bond notes payable on the consolidated statement of financial position.

In August 2018, SCO obtained financing (Series 2018) of insured revenue bonds through the DASNY for the renovation of a facility in Farmingdale, New York.

The bonds, which require annual payments, are secured by the related property.

\$ 455,000	DASNY Series 2018A1, interest rate of 4.6%, due July 1, 2043
\$ 45,000	DASNY Series 2018A2, interest rate of 3.5%, due July 1, 2021

Debt issuance costs, net of accumulated amortization, totaled \$13,467 and \$14,593 as of June 30, 2025 and 2024, respectively, and are recorded as a reduction in bond notes payable on the consolidated statement of financial position.

Debt issuance costs for Series A, B, 2018 and 2021 bonds consist of the following as of June 30:

	2025	2024
Debt issuance costs	\$ 2,249,115	\$ 2,249,115
Less: accumulated amortization	(778,311)	(631,763)
	\$ 1,470,804	\$ 1,617,352

In June 2025, SCO made payments on bonds payable in advance of their 2026 due dates. Future principal payments were as follows as of June 30, 2025:

	Series			
	A and B	Series 2018	Series 2021	Total
2026	\$ 81,488	\$ 15,000	\$ -	\$ 96,488
2027	85,652	15,000	2,295,000	2,395,652
2028	90,029	15,000	2,375,000	2,480,029
2029	94,629	20,000	2,325,000	2,439,629
2030	99,465	20,000	2,400,000	2,519,465
Thereafter	158,827	305,000	33,695,000	34,158,827
	\$ 610,090	\$ 390,000	\$ 43,090,000	\$ 44,090,090

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

11. Due to Governmental Agencies

SCO has recorded estimated liabilities of \$18,853,134 and \$18,134,013 at June 30, 2025 and 2024, respectively, for future settlements with funding agencies, generally related to SCO's underspending of past years' contracts.

Audits have been completed by ACS through fiscal 2019. It is management's opinion that retroactive adjustments, if any, for years subsequent to fiscal 2019 will not have a material adverse impact on the financial position or net assets of SCO.

12. Pension Plans

Defined Benefit Pension Plan

On June 30, 2011, SCO ceased participation in the Roman Catholic Diocese of Brooklyn Pension Plan (the "Diocesan Pension Plan"), a multi-employer plan, and froze retirement benefit accruals for participating SCO employees. SCO established a mirror Defined Benefit Pension Plan (the "Plan") effective March 20, 2012 for the purpose of providing retirement benefits to those current and former employees and, as applicable, beneficiaries of such employees who had accrued retirement benefits under the Diocesan Pension Plan through June 30, 2011. The Plan, established as a single employer plan, maintained solely by SCO, will provide those benefits which had accrued or will accrue under the former Diocesan Pension Plan up to the date it was frozen on June 30, 2011. Under ASC 715-20, "Defined Benefit Plans", when an organization adopts a single employer pension plan, they are required to record the full amount of any underfunded pension liability on the consolidated statement of financial position. No such requirement exists for a multi-employer plan. Assets formerly held by the Roman Catholic Diocese of Brooklyn to fund the accrued pension liabilities under the Diocesan Pension Plan were transferred to SCO. The transfer of assets from the Diocesan Pension Plan was completed on October 19, 2012. Assets are actively managed and SCO has taken all prudent steps necessary to ensure the Plan is able to meet all payments to retirees or their beneficiaries in future years. Both the Diocesan Pension Plan and the Plan are non-ERISA church plans with no requirement under the Employee Retirement Income Security Act of 1974 ("ERISA") to fund the Plan. The Plan provides SCO cost certainty and better cash management and the ability to pay down pension obligations within 20 years.

The net periodic pension cost for the years ended June 30, is comprised of the following:

	<u>2025</u>	<u>2024</u>
Service cost	\$ 200,000	\$ 200,000
Interest cost	4,707,347	4,653,985
Expected return on Plan assets	(4,467,650)	(4,197,297)
Amortization of net loss	-	37,415
Net Periodic Pension Cost	<u>\$ 439,697</u>	<u>\$ 694,103</u>

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

12. Pension Plans *(continued)*

Defined Benefit Pension Plan (continued)

The net periodic pension cost is reimbursed by SCO's program funding sources, subject to caps. SCO expects that the unfunded pension liability will be fully discharged over the remaining lives of the beneficiaries by these reimbursements supplemented by additional annual cash contributions from SCO to the Plan.

A reconciliation of the changes in the Plan's benefit obligations and fair value of assets during fiscal years 2025 and 2024, and a statement of the funded status of the Plan as of June 30, are as follows:

	2025	2024
Change in projected benefit obligation:		
Projected benefit obligation at beginning of the year	\$ 89,199,016	\$ 91,247,269
Service cost	200,000	200,000
Interest cost	4,707,347	4,653,985
Benefits	(1,179,825)	(2,203,841)
Actuarial gain	<u>(4,800,722)</u>	<u>(4,698,397)</u>
Projected Benefit Obligation at End of the Year	<u>\$ 88,125,816</u>	<u>\$ 89,199,016</u>
	2025	2024
Change in Plan Assets:		
Fair value of Plan assets at beginning of the year	\$ 65,706,080	\$ 61,765,831
Actual return on Plan assets	7,490,105	7,388,939
Employer contributions	1,200,000	1,200,000
Benefits	<u>(4,777,678)</u>	<u>(4,648,690)</u>
Fair Value of Plan Assets at the End of the Year	<u>\$ 69,618,507</u>	<u>\$ 65,706,080</u>

The funded status of the Plan as of June 30, was as follows:

	2025	2024
Fair value of Plan assets	\$ 69,618,507	\$ 65,706,080
Benefit obligation	<u>88,125,816</u>	<u>89,199,016</u>
Accrued Pension Obligation at End of the Year	<u>\$ (18,507,309)</u>	<u>\$ (23,492,936)</u>

Pension related charges other than net periodic pension cost included in net assets without donor restrictions for the years ended June 30, 2025 and 2024 consist of prior year service cost of \$0, net amortization loss of \$0 and \$37,415, respectively, and an actuarial gain of \$4,225,324 and \$5,445,190, respectively.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

12. Pension Plans *(continued)*

Defined Benefit Pension Plan (continued)

The following benefit payments are expected to be paid for the years ended June 30:

2026	\$ 5,270,873
2027	5,520,971
2028	5,751,117
2029	5,953,842
2030	6,103,464
2031-2035	<u>31,806,836</u>
	<u>\$ 60,407,103</u>

Employer contributions expected to be paid in fiscal year ending June 30, 2026 are \$1,200,000.

Investment Policy

The Plan assets are managed with the following allocations as of June 30:

	2025		2024	
	Amount	Percentage	Amount	Percentage
Money market/cash	\$ 978,277	1 %	\$ 822,955	1 %
Intermediate term bond	6,272,627	9	5,359,253	8
Corporate bond	13,414,856	19	12,751,286	20
Large cap blend U.S. stock	26,670,124	38	25,904,774	39
Large cap blend foreign stock	4,991,647	7	4,798,502	7
Large cap growth foreign stock	4,291,500	6	1,561,734	2
Diversified emerging markets stock	1,775,589	3	3,718,954	6
Allocation – 50% to 70% equity	6,049,556	9	5,336,058	9
Real estate/REIT	2,570,599	4	2,709,184	4
Tactical allocation	<u>2,603,732</u>	4	<u>2,743,380</u>	4
Fair Value of Plan Assets	<u>\$ 69,618,507</u>	<u>100 %</u>	<u>\$ 65,706,080</u>	<u>100 %</u>

The Plan's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy in accordance with ASC 820. See Note 2 for a discussion of SCO's policies regarding this hierarchy.

All of the Plan assets are invested in mutual funds and exchange-traded funds that are liquid and actively traded and are classified as Level 1 investments.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

12. Pension Plans *(continued)*

Investment Policy (continued)

The discount rate, expected long-term rate of return on assets and the rates of increase in future compensation levels used to determine the projected benefit obligation at June 30, 2025 were as follows:

	Pension Benefits	
	Used for Net Pension Cost in Fiscal Year July 1, 2024 to June 30, 2025	Used for Pension Obligations as of June 30, 2025
Discount rate	5.48%	5.52%
Rate of compensation increase	N/A	N/A
Long-term rate of return	7.00%	N/A

The discount rate, expected long-term rate of return on assets and the rates of increase in future compensation levels used to determine the projected benefit obligation at June 30, 2024 were as follows:

	Pension Benefits	
	Used for Net Pension Cost in Fiscal Year July 1, 2023 to June 30, 2024	Used for Pension Obligations as of June 30, 2024
Discount rate	5.21%	5.48%
Rate of compensation increase	N/A	N/A
Long-term rate of return	7.00%	N/A

The expected long-term rate of return on Plan assets assumption of 7.00% was selected using the “building block” approach described by the Actuarial Standards Board in Actuarial Standards of Practice No. 27 - Selection of Economic Assumptions for Measuring Pension Obligations. Based on the investment allocation for the pension plan in effect as of the beginning of the fiscal year, a best estimate range was determined for both the real rate of return (net of inflation) and for inflation based on historical 30-year period rolling averages. An average inflation rate within the range equal to 2.50% was selected and added to the real rate of return range to arrive at a best estimate range for which a rate of 7.00% is near the midpoint and was selected.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

12. Pension Plans *(continued)*

Supplemental Pension Plan

In 2000, SCO adopted a supplemental pension plan through an insurance company. The plan is tax-qualified as a defined contribution arrangement under IRS Section 403(b). Participants become eligible to participate on their date of hire. Funding is provided by employee withholding and an annual discretionary contribution made by SCO. Total contribution expense for the defined contribution plan was \$2,630,789 and \$2,980,680 for each of the years ended June 30, 2025 and 2024.

13. Net Assets

Net Assets With Donor Restrictions – Temporary in Nature

Net assets with donor restrictions that are temporary in nature were restricted for the following purposes at June 30:

	2025	2024
Foster care services	\$ 559,193	\$ 1,041,777
Early childhood services	346,699	406,398
Management and other indirect expenses	276,496	595,439
Education and youth development services	92,367	109,738
Special needs and behavioral health services	55,645	416
Family support services	-	11,200
Shelters and homeless services	-	8,578
Accumulated investment earnings on endowment	464,710	347,737
	\$ 1,795,110	\$ 2,521,283

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose during the fiscal years ended June 30:

	2025	2024
Management and other indirect expenses	\$ 1,116,274	\$ 1,901,174
Foster care services	494,085	216,767
Early childhood services	67,714	170,244
Education and youth development services	30,950	278,288
Shelters and homeless services	14,224	21,922
Special needs and behavioral health services	770	11,266
Family support services	-	12,917
	\$ 1,724,017	\$ 2,612,578

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

14. Endowment Fund

SCO maintains a donor-restricted endowment fund (the “Brookwood Fund”) that has been classified as net assets with donor restrictions.

The Board of Directors of SCO has adopted the rules of NYPMIFA requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result, the Brookwood Fund is classified as net assets with donor restrictions and includes the original value of gifts donated to the permanent endowment.

NYPMIFA further requires all endowment income to be classified as net assets with donor restrictions that are temporary in nature until appropriated for use by the governing board, unless directed differently by the donor. The income on the Brookwood Fund will be used to support SCO’s general programs and activities supporting children and families.

SCO has adopted investment and spending policies for endowment assets that attempt to provide sufficient income to meet various program expenses and to extend the pursuit of SCO’s mission in perpetuity. The Brookwood Fund is invested in a manner that is intended to produce results that exceed the price and yield results of the Triple-A rated short-term money market instruments for the cash and cash equivalent investments and the Barclay’s Intermediate Government/Corporate Bonds Index for the fixed income investments. SCO appropriates the actual interest income and dividend returns from the restricted assets and supplements non-restricted funds for other programs. In establishing this policy, SCO considered the long-term expected return on its endowment. Accordingly, over the long term, SCO expects the current spending policy to allow its endowment to grow annually.

SCO considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- the duration and preservation of the funds;
- availability of other funding sources;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation/depreciation of investments;
- purposes of donor-restricted funds; and
- the investment and spending policies of the Brookwood Fund’s investment returns distribution policy, which mandates appropriations of donor-restricted assets to be deemed prudent by the Investment Committee of the Board of Directors of SCO.

All assets included in the Brookwood Fund were indexed as mutual funds totaling \$1,907,706 and \$1,790,733 at June 30, 2025 and 2024, respectively.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements June 30, 2025 and 2024

14. Endowment Fund *(continued)*

The following table represents a reconciliation of beginning and ending balances as of June 30:

	Accumulated Investment Earnings on Endowment	With Donor Restrictions That Are Perpetual in Nature	Total
Endowment balances as of June 30, 2023	\$ 197,100	\$ 1,442,996	\$ 1,640,096
Unrealized gain	150,637	-	150,637
Endowment balances as of June 30, 2024	347,737	1,442,996	1,790,733
Unrealized gain	116,973	-	116,973
Endowment balances as of June 30, 2025	\$ 464,710	\$ 1,442,996	\$ 1,907,706

15. Commitments and Contingencies

Leases

SCO's lease agreements consist of building leases for its operating locations, vehicles, and office equipment leases for printers and copiers, with lease terms ranging from less than 12 months to 17 years. At inception, SCO determines if an agreement contains a lease and whether that lease meets the classification criteria of a finance or operating lease. Certain leases contain lease and non-lease components (i.e. maintenance and property tax). SCO accounts for lease and non-lease components as a single lease component.

SCO's leases consist of operating and finance leases and are presented as right of use lease assets and short and long-term lease liabilities on the consolidated statement of financial position at June 30, 2025 and 2024. These assets and liabilities are recognized at the commencement date based on the present value of remaining lease payments over the lease term using SCO's incremental borrowing rate. Short-term leases, which have an initial term of 12 months or less, are not recorded on the consolidated statement of financial position.

Substantially all leases have a defunding clause, as defined, which provides that SCO's obligations under the lease would terminate if the applicable governmental funding agency were to eliminate or significantly reduce funding for the related program.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

15. Commitments and Contingencies *(continued)*

Finance Leases

<u>Indebtedness</u>	<u>Creditor</u>	<u>Origination Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	Balance <u>Outstanding at June 30, 2025</u>	Balance <u>Outstanding at June 30, 2024</u>
SCO has finance leases on vehicles ranging from three to five years at varying interest rates.	Toyota	10/1/21- 10/1/24	10/31/25- 3/31/29	4-11%	\$ 1,282,329	\$ 1,966,243
	Nissan	11/1/21- 10/1/24	10/31/25- 9/30/28	6-10%	66,177	97,848
	Ford Transit	6/1/22- 7/1/23	6/30/26- 6/30/27	8-9%	291,700	453,137
	Chrysler	4/1/22- 4/1/25	4/1/27- 3/31/29	8-10%	<u>116,575</u>	<u>21,689</u>
Total Finance Lease Obligations					1,756,781	2,538,917
Less current maturities of finance lease obligations					<u>(891,758)</u>	<u>(1,073,792)</u>
Total Long-Term Finance Lease Obligations					<u>\$ 865,023</u>	<u>\$ 1,465,125</u>

Aggregate annual maturities and the present value of the net minimum lease payments were as follows at June 30, 2025:

2026	\$ 1,081,500
2027	631,981
2028	260,007
2029	<u>186,362</u>
Total Future Minimum Lease Payments	2,159,850
Less imputed interest	<u>(403,069)</u>
Total Finance Lease Liabilities	<u>\$ 1,756,781</u>

Other information related to leases and supplemental cash flow data were as of follows for the years ended June 30:

	<u>2025</u>	<u>2024</u>
Financing cash flows paid for finance leases - principal	\$ 947,324	\$ 867,462
Financing cash flows paid for finance leases - interest	197,435	192,246
Right-of-use leased assets obtained in exchange for new finance lease obligations	198,776	376,064
Weighted-Average Remaining Lease Term:		
Finance leases	2.47	3.21
Weighted-average discount rate on finance leases	8.38%	8.84%

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

15. Commitments and Contingencies *(continued)*

Finance Leases (continued)

During the year ended June 30, 2025 SCO disposed of right of use assets related to finance leases and related accumulated amortization in the amount of \$696,544. The cost of the assets under finance lease as of June 30, 2025 and 2024 approximated \$4,055,703 and \$4,553,471, with accumulated amortization of approximated \$2,250,163 and \$1,926,380.

Amortization expense for the years ended June 30, 2025 and 2024 approximated \$1,020,327 and \$806,993.

Interest expense for the years ended June 30, 2025 and 2024 approximated \$197,435 and \$192,246.

Operating Leases

The components of lease cost included in the accompanying consolidated statements of activities were as follows for the years ended June 30:

	2025	2024
Lease cost, leases with terms greater than one year	\$ 9,350,420	\$ 9,506,282

Other information related to leases and supplemental cash flow data are as of follows for the years ended June 30:

	2025	2024
Operating cash flows paid for operating leases	\$ 7,617,601	\$ 7,519,006
Right-of-use leased assets obtained in exchange for new operating lease obligations	1,129,458	2,085,604
Weighted-Average Remaining Lease Term:		
Operating leases	4.66	5.11
Weighted-average discount rate on operating leases	4.44%	4.16%

During the year ended June 30, 2025 and 2024 SCO wrote off right of use asset amounts and related accumulated amortization of \$2,108,117. At June 30, 2025 and 2024, right of use assets of approximately \$44,430,972 and \$45,409,631 were presented net of accumulated amortization of approximately \$28,949,668 and \$24,204,742. The amortization expense related to the right of use assets for operating leases amounted to \$6,853,043 and \$7,618,457 for the years ended June 30, 2025.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

15. Commitments and Contingencies (*continued*)

Operating Leases (continued)

Future minimum payments under operating leases are as follows at June 30, 2025:

2026	\$ 7,359,586
2027	2,261,616
2028	2,242,003
2029	5,036,508
2030	246,308
Thereafter	<u>377,291</u>
Total	17,523,312
Less imputed interest	<u>(1,827,531)</u>
Total Operating Lease Liabilities	<u>\$ 15,695,781</u>

Legal Matters

SCO is involved with several cases in litigation as a defendant. A number of the cases are currently in pre-trial discovery. Management intends to vigorously defend all claims against SCO. Management believes that any claims or judgments would be covered by SCO's applicable insurance policies and the determination of any specific losses cannot be made at this time.

On February 14, 2019, Governor Andrew M. Cuomo, the Governor of the State of New York, signed into law the NYS Child Victims Act (the "CVA"). The CVA initially established a one-year period beginning six months after the CVA's signing into law, during which survivors of child abuse may file civil claims that would otherwise be barred by the applicable statute of limitations. Due to the COVID-19 public health emergency, Governor Cuomo issued an executive order on May 8, 2020 extending the look-back window until January 14, 2021, which he further extended to August 14, 2021 by signing legislation on August 3, 2020 (as so extended, the "Look-Back Period").

As of November 19, 2025, a number of claims had been brought against SCO under the CVA seeking compensation for alleged abuse that occurred as early as the late 1960's. These claims are all in litigation, and at this time, management and SCO's counsel are unable to estimate any potential loss resulting from these claims.

SCO Family of Services and Affiliate

Notes to Consolidated Financial Statements
June 30, 2025 and 2024

15. Commitments and Contingencies (*continued*)

Other Matters

SCO participates in various Federal, state and city programs, all of which have strict requirements for participation and, accordingly, SCO is subject to government program reviews covering compliance with laws and regulations. In addition, the expenses of programs, which have been reimbursed pursuant to Federal, state and local government contracts and grants, are subject to audit by the respective granting agencies. Until such audits are completed and final settlements reached, there exists a contingency to refund any amount in excess of allowable costs. Management is of the opinion that no material liability would result from such audits.

16. Subsequent Events

During September 2025, SCO renewed its line of credit with all terms remaining consistent with the prior agreement. The renewed line expires on March 31, 2027.

Management has evaluated subsequent events for disclosure and/or recognition in the consolidated financial statements through the date that the consolidated financial statements were available to be issued, which is November 19, 2025.

* * * * *

SCO Family of Services and Affiliate

Supplementary Information
June 30, 2025

SCO Family of Services and Affiliate

Consolidating Schedule of Financial Position June 30, 2025 (with summarized totals at June 30, 2024)

	2025			Total	2024 Total
	SCO Family of Services	SCO Foundation Inc.	Eliminating Entries		
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 13,019,257	\$ 167,520	\$ -	\$ 13,186,777	\$ 6,285,375
Investments	2,319,013	78,061,946	-	80,380,959	73,870,359
Program receivables, net	76,424,303	-	325,849	76,750,152	74,361,206
Prepaid expenses and other current assets	4,249,240	167,565	(2,457,680)	1,959,125	2,079,823
Custodial accounts	493,407	-	-	493,407	679,490
Total Current Assets	<u>96,505,220</u>	<u>78,397,031</u>	<u>(2,131,831)</u>	<u>172,770,420</u>	<u>157,276,253</u>
Debt service reserve	1,046,528	-	-	1,046,528	1,047,966
Security deposits and other assets	681,130	-	-	681,130	654,098
Assets held for sale, net	-	-	-	-	436,962
Right of use assets	17,286,844	-	-	17,286,844	23,831,980
Property and equipment, net	42,342,861	-	-	42,342,861	43,421,115
Assets with limited use: restricted cash, debt service funds	4,535,000	-	-	4,535,000	4,535,000
Interest rate swap asset	3,427,680	-	-	3,427,680	5,153,939
Restricted investments	1,442,996	-	-	1,442,996	1,442,996
	<u>\$ 167,268,259</u>	<u>\$ 78,397,031</u>	<u>\$ (2,131,831)</u>	<u>\$ 243,533,459</u>	<u>\$ 237,800,309</u>
LIABILITIES AND NET ASSETS					
Current Liabilities					
Accounts payable and accrued expenses	\$ 35,348,186	\$ -	\$ -	\$ 35,348,186	\$ 34,655,235
Accrued interest payable	358,113	-	-	358,113	276,853
Accrued pension obligation - current portion	1,200,000	-	-	1,200,000	1,200,000
Custodial accounts	493,407	-	-	493,407	679,490
Deferred revenue, current portion	21,339,249	-	-	21,339,249	15,018,122
Due to SCO Family of Services	-	2,131,831	(2,131,831)	-	-
Lines of credit	3,000,000	-	-	3,000,000	6,000,000
Mortgages payable, net, current portion	693,289	-	-	693,289	639,327
Bonds payable, net, current portion	94,761	-	-	94,761	90,781
Lease payables, current portion	7,360,068	-	-	7,360,068	8,434,912
Due to government agencies, current portion	3,330,428	-	-	3,330,428	1,303,482
Total Current Liabilities	<u>73,217,501</u>	<u>2,131,831</u>	<u>(2,131,831)</u>	<u>73,217,501</u>	<u>68,298,202</u>
Accrued pension obligation, net of current portion	17,307,309	-	-	17,307,309	22,292,936
Deferred revenue, net of current portion	3,603,008	-	-	3,603,008	2,965,577
Mortgages payable, net	643,452	-	-	643,452	1,335,219
Bonds payable, net	42,545,074	-	-	42,545,074	44,213,193
Lease payables, net of current portion	10,092,494	-	-	10,092,494	15,448,007
Due to government agencies, net of current portion	15,522,706	-	-	15,522,706	16,830,531
Interest rate swap liability	-	-	-	-	-
Total Liabilities	<u>162,931,544</u>	<u>2,131,831</u>	<u>(2,131,831)</u>	<u>162,931,544</u>	<u>171,383,665</u>
Net Assets (Deficit)					
Without donor restrictions - operations	10,609,455	76,239,665	-	86,849,120	76,208,303
Without donor restrictions - pension related changes other than net periodic pension cost as a result of the conversion from multi-employer plan to a single employer plan in calendar year 2012	(9,485,311)	-	-	(9,485,311)	(13,755,938)
Total Net Assets (Deficit) Without Donor Restrictions	<u>1,124,144</u>	<u>76,239,665</u>	<u>-</u>	<u>77,363,809</u>	<u>62,452,365</u>
With donor restrictions- perpetual in nature	1,442,996	-	-	1,442,996	1,442,996
With donor restrictions- temporary in nature	1,769,575	25,535	-	1,795,110	2,521,283
Total Net Assets With Donor Restrictions	<u>3,212,571</u>	<u>25,535</u>	<u>-</u>	<u>3,238,106</u>	<u>3,964,279</u>
Total Net Assets (Deficit)	<u>4,336,715</u>	<u>76,265,200</u>	<u>-</u>	<u>80,601,915</u>	<u>66,416,644</u>
	<u>\$ 167,268,259</u>	<u>\$ 78,397,031</u>	<u>\$ (2,131,831)</u>	<u>\$ 243,533,459</u>	<u>\$ 237,800,309</u>

See independent auditors' report

SCO Family of Services and Affiliate

Consolidating Schedule of Activities Year Ended June 30, 2025 (with summarized totals for the year ended June 30, 2024)

	SCO Family of Services			SCO Foundation Inc.			Total	Eliminating Entries	2025 Total	2024 Total
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total				
OPERATING REVENUE AND SUPPORT										
Government revenue	\$ 253,660,165	\$ 394,790	\$ 254,054,955	\$ -	\$ -	\$ -	\$ 254,054,955	\$ -	\$ 254,054,955	\$ 243,176,257
Foundations and other grants	1,459,899	270,442	1,730,341	-	-	-	1,730,341	(200)	1,730,141	2,056,498
Prior year cost reimbursement adjustments	2,070,957	-	2,070,957	-	-	-	2,070,957	-	2,070,957	1,946,658
Contributions	157,306	60,460	217,766	500	10,250	10,750	228,516	-	228,516	241,228
Investments used for operations	2,841,800	-	2,841,800	-	-	-	2,841,800	-	2,841,800	2,602,900
Other income	2,156,723	14,043	2,170,766	2,841,800	-	2,841,800	5,012,566	(2,841,800)	2,170,766	3,185,596
Special events less costs with direct benefit to donors of \$413,383 and \$358,794	167,865	130,886	298,751	45,024	-	45,024	343,775	-	343,775	376,971
Net assets released from restrictions	1,724,017	(1,724,017)	-	-	-	-	-	-	-	-
Total Operating Revenue and Support	264,238,732	(853,396)	263,385,336	2,887,324	10,250	2,897,574	266,282,910	(2,842,000)	263,440,910	253,586,108
OPERATING EXPENSES										
Program Services										
Foster care services	76,047,603	-	76,047,603	-	-	-	76,047,603	-	76,047,603	72,287,801
Family support services	8,287,549	-	8,287,549	-	-	-	8,287,549	-	8,287,549	8,035,071
Early childhood services	16,674,609	-	16,674,609	200	-	200	16,674,809	(200)	16,674,609	16,925,378
Special needs and behavioral health services	73,868,851	-	73,868,851	-	-	-	73,868,851	-	73,868,851	71,083,837
Education and youth development services	28,713,042	-	28,713,042	-	-	-	28,713,042	-	28,713,042	29,603,248
Shelters and homeless services	25,923,915	-	25,923,915	-	-	-	25,923,915	-	25,923,915	23,743,425
Total Program Services	229,515,569	-	229,515,569	200	-	200	229,515,769	(200)	229,515,569	221,678,760
Supporting Services										
Management and general	30,767,227	-	30,767,227	2,948,353	-	2,948,353	33,715,580	(2,886,448)	30,829,132	29,645,908
Development	1,105,239	-	1,105,239	-	-	-	1,105,239	-	1,105,239	1,294,975
Total Supporting Services	31,872,466	-	31,872,466	2,948,353	-	2,948,353	34,820,819	(2,886,448)	31,934,371	30,940,883
Total Operating Expenses	261,388,035	-	261,388,035	2,948,553	-	2,948,553	264,336,588	(2,886,648)	261,449,940	252,619,643
Change in Net Assets from Operations	2,850,697	(853,396)	1,997,301	(61,229)	10,250	(50,979)	1,946,322	44,648	1,990,970	966,465
NONOPERATING CHANGES										
Interest and dividend income	252,399	-	252,399	2,931,434	-	2,931,434	3,183,833	-	3,183,833	2,492,902
Realized and unrealized gains on securities	147,619	116,973	264,592	3,003,709	-	3,003,709	3,268,301	-	3,268,301	3,932,252
Change in unfunded pension obligation	4,270,627	-	4,270,627	-	-	-	4,270,627	-	4,270,627	5,439,502
Management fee	44,648	-	44,648	-	-	-	44,648	(44,648)	-	-
Gain on interest rate swap	(1,726,259)	-	(1,726,259)	-	-	-	(1,726,259)	-	(1,726,259)	(149,875)
Loss on asset disposal	59,081	-	59,081	-	-	-	59,081	-	59,081	(232,334)
Gain on sale of building	3,138,718	-	3,138,718	-	-	-	3,138,718	-	3,138,718	-
Change in Net Assets	9,037,530	(736,423)	8,301,107	5,873,914	10,250	5,884,164	14,185,271	-	14,185,271	12,448,912
NET ASSETS (DEFICIT)										
Beginning of year	(7,913,386)	3,948,994	(3,964,392)	70,365,751	15,285	70,381,036	66,416,644	-	66,416,644	53,967,732
End of year	\$ 1,124,144	\$ 3,212,571	\$ 4,336,715	\$ 76,239,665	\$ 25,535	\$ 76,265,200	\$ 80,601,915	\$ -	\$ 80,601,915	\$ 66,416,644

See independent auditors' report