

# **Birch Family Services, Inc.**

Financial Statements

June 30, 2025 and 2024

# **Birch Family Services, Inc.**

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June 30, 2025 and 2024

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## **Independent Auditors' Report**

To the Board of Directors of  
Birch Family Services, Inc.

### **Opinion**

We have audited the financial statements of Birch Family Services, Inc. (Birch), which comprise the statements of financial position as of June 30, 2025 and 2024, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Birch as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

### **Basis for Opinion**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Birch 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 Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Birch's ability to continue as a going concern within one year after the date that the 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 financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Birch's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Birch'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.

*Baker Tilly US, LLP*

New York, New York  
November 20, 2025

**Birch Family Services, Inc.**

## Statements of Financial Position

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 4,063,148	\$ 1,882,402
Investments	13,482,299	12,130,895
Accounts receivable, net	21,177,039	17,171,966
Prepaid expenses and other assets	<u>2,204,431</u>	<u>1,180,491</u>
Total current assets	40,926,917	32,365,754
<b>Assets Limited as to Use</b>	137,141	139,640
<b>Fixed Assets, Net</b>	18,744,966	16,590,275
<b>Right-of-Use Assets, Operating Leases</b>	<u>19,195,748</u>	<u>14,711,047</u>
Total assets	<u><u>\$ 79,004,772</u></u>	<u><u>\$ 63,806,716</u></u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued expenses	\$ 3,599,795	\$ 3,868,408
Accrued compensation	7,484,266	7,547,182
Deferred revenue	1,320,123	376,013
Due to governmental agencies	8,170,624	5,922,352
Lines of credit	6,180,654	5,657,373
Bonds payable, current portion	95,000	90,000
Loans and mortgages payable, current portion	398,905	337,266
Operating leases, current portion	5,135,870	5,150,928
Finance leases, current portion	<u>288,234</u>	<u>257,796</u>
Total current liabilities	32,673,471	29,207,318
<b>Bonds Payable, Net of Current Portion</b>	233,319	328,319
<b>Loans and Mortgages Payable, Net of Current Portion</b>	10,905,595	6,339,134
<b>Operating Leases, Net of Current Portion</b>	15,277,683	10,602,003
<b>Finance Leases, Net of Current Portion</b>	<u>493,217</u>	<u>425,075</u>
Total liabilities	<u>59,583,285</u>	<u>46,901,849</u>
<b>Commitments and Contingencies</b>		
<b>Net Assets</b>		
Net assets without donor restrictions	19,240,630	16,417,916
Net assets with donor restrictions	<u>180,857</u>	<u>486,951</u>
Total net assets	<u>19,421,487</u>	<u>16,904,867</u>
Total liabilities and net assets	<u><u>\$ 79,004,772</u></u>	<u><u>\$ 63,806,716</u></u>

See notes to financial statements

**Birch Family Services, Inc.**

## Statement of Activities

Year Ended June 30, 2025

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Other Support</b>			
Tuition revenue	\$ 33,074,452	\$ -	\$ 33,074,452
Medicaid revenue for community services	49,673,023	-	49,673,023
Government grants	8,585,331	-	8,585,331
Training and consultant services	138,489	-	138,489
Contributions	1,136,931	102,500	1,239,431
Contributed nonfinancial assets	596,356	-	596,356
Special events	600,443	-	600,443
Less direct costs of special events	(219,257)	-	(219,257)
Investment gain, net	1,351,404	-	1,351,404
Gain on sale of fixed assets	95,640	-	95,640
Other revenue	1,415,949	-	1,415,949
Net assets released from restrictions	408,594	(408,594)	-
Total revenue and other support	96,857,355	(306,094)	96,551,261
<b>Expenses</b>			
Program services:			
Educational services	37,652,988	-	37,652,988
Community services	43,300,107	-	43,300,107
Other programs	676,843	-	676,843
Total program services	81,629,938	-	81,629,938
Supporting services:			
Management and general	11,351,246	-	11,351,246
Fundraising	1,053,457	-	1,053,457
Total supporting services	12,404,703	-	12,404,703
Total expenses	94,034,641	-	94,034,641
Change in net assets	2,822,714	(306,094)	2,516,620
<b>Net Assets, Beginning</b>	16,417,916	486,951	16,904,867
<b>Net Assets, Ending</b>	\$ 19,240,630	\$ 180,857	\$ 19,421,487

See notes to financial statements

**Birch Family Services, Inc.**

## Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue and Other Support</b>			
Tuition revenue	\$ 35,962,858	\$ -	\$ 35,962,858
Medicaid revenue for community services	37,079,974	-	37,079,974
Government grants	11,693,384	-	11,693,384
Training and consultant services	151,158	-	151,158
Contributions	175,948	32,500	208,448
Contributed nonfinancial assets	593,550	-	593,550
Special events	446,780	-	446,780
Less direct costs of special events	(158,425)	-	(158,425)
Investment gain, net	1,289,236	-	1,289,236
Gain on sale of fixed assets	645,274	-	645,274
Other revenue	1,496,592	-	1,496,592
Net assets released from restrictions	72,056	(72,056)	-
Total revenue and other support	89,448,385	(39,556)	89,408,829
<b>Expenses</b>			
Program services:			
Educational services	38,525,787	-	38,525,787
Community services	36,853,803	-	36,853,803
Other programs	1,535,221	-	1,535,221
Total program services	76,914,811	-	76,914,811
Supporting services:			
Management and general	10,446,208	-	10,446,208
Fundraising	754,648	-	754,648
Total supporting services	11,200,856	-	11,200,856
Total expenses	88,115,667	-	88,115,667
Change in net assets	1,332,718	(39,556)	1,293,162
<b>Net Assets, Beginning</b>	15,085,198	526,507	15,611,705
<b>Net Assets, Ending</b>	<u>\$ 16,417,916</u>	<u>\$ 486,951</u>	<u>\$ 16,904,867</u>

See notes to financial statements

**Birch Family Services, Inc.**

## Statement of Functional Expenses

Year Ended June 30, 2025

	Program Services				Supporting Services			
	Educational Services	Community Services	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
<b>Salaries and Related Expenses</b>								
Salaries	\$ 22,328,921	\$ 21,109,768	\$ 385,925	\$ 43,824,614	\$ 5,835,975	\$ 462,948	\$ 6,298,923	\$ 50,123,537
Payroll taxes and employee benefits	4,422,588	4,242,981	65,371	8,730,940	1,101,060	85,145	1,186,205	9,917,145
Total salaries and related expenses	26,751,509	25,352,749	451,296	52,555,554	6,937,035	548,093	7,485,128	60,040,682
<b>Property Expenses</b>								
Occupancy	4,832,727	1,041,674	41,184	5,915,585	610,037	325,788	935,825	6,851,410
Repairs and maintenance	1,364,961	1,477,550	-	2,842,511	234,728	41,655	276,383	3,118,894
Utilities	465,094	454,105	-	919,199	63,990	-	63,990	983,189
Total property expenses	6,662,782	2,973,329	41,184	9,677,295	908,755	367,443	1,276,198	10,953,493
<b>Other Expenses</b>								
Contracted personal services	1,566,723	7,563,740	119,084	9,249,547	583,924	1,240	585,164	9,834,711
Consumer expenses	188	100,076	13,029	113,293	-	-	-	113,293
Food	635,181	901,212	6,325	1,542,718	-	1,175	1,175	1,543,893
Audit and legal	13,402	80,359	-	93,761	345,539	-	345,539	439,300
Travel	3,938	558,697	1,572	564,207	20,554	1,073	21,627	585,834
Expensed equipment	163,186	364,183	-	527,369	24,897	13,663	38,560	565,929
Information technology	105,309	183,725	70	289,104	292,146	15,916	308,062	597,166
Telecommunications	121,963	271,387	1,571	394,921	42,756	2,048	44,804	439,725
Staff development	67,726	32,536	26,630	126,892	265,859	2,497	268,356	395,248
Insurance	370,161	557,682	2,037	929,880	285,279	6,770	292,049	1,221,929
Real estate taxes	46,237	127,722	-	173,959	47,339	-	47,339	221,298
Supplies	739,394	822,500	10,294	1,572,188	105,226	71,516	176,742	1,748,930
Professional fees	110,734	7,787	194	118,715	690,110	4,045	694,155	812,870
Interest and bank fees	42,826	677,718	75	720,619	471,627	11,492	483,119	1,203,738
Interest expense, amortization of debt issuance costs	-	33,621	-	33,621	-	-	-	33,621
Services assessment	-	1,468,223	-	1,468,223	-	-	-	1,468,223
Miscellaneous expenses	99,582	157,624	3,482	260,688	262,510	6,486	268,996	529,684
Total other expenses	4,086,550	13,908,792	184,363	18,179,705	3,437,766	137,921	3,575,687	21,755,392
Subtotal before depreciation and amortization	37,500,841	42,234,870	676,843	80,412,554	11,283,556	1,053,457	12,337,013	92,749,567
<b>Depreciation and Amortization</b>	152,147	1,065,237	-	1,217,384	67,690	-	67,690	1,285,074
Total expenses	\$ 37,652,988	\$ 43,300,107	\$ 676,843	\$ 81,629,938	\$ 11,351,246	\$ 1,053,457	\$ 12,404,703	\$ 94,034,641

See notes to financial statements



**Birch Family Services, Inc.**

## Statement of Functional Expenses

Year Ended June 30, 2024

	Program Services				Supporting Services			
	Educational Services	Community Services	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	Total
<b>Salaries and Related Expenses</b>								
Salaries	\$ 23,631,665	\$ 17,720,692	\$ 917,760	\$ 42,270,117	\$ 5,362,388	\$ 475,376	\$ 5,837,764	\$ 48,107,881
Payroll taxes and employee benefits	4,724,230	3,662,455	164,468	8,551,153	1,056,817	82,242	1,139,059	9,690,212
Total salaries and related expenses	28,355,895	21,383,147	1,082,228	50,821,270	6,419,205	557,618	6,976,823	57,798,093
<b>Property Expenses</b>								
Occupancy	4,355,174	817,847	40,608	5,213,629	613,477	28,387	641,864	5,855,493
Repairs and maintenance	677,663	1,180,365	21,913	1,879,941	391,196	62,695	453,891	2,333,832
Utilities	401,338	357,768	-	759,106	60,740	-	60,740	819,846
Total property expenses	5,434,175	2,355,980	62,521	7,852,676	1,065,413	91,082	1,156,495	9,009,171
<b>Other Expenses</b>								
Contracted personal services	1,580,699	6,597,016	237,477	8,415,192	477,974	157	478,131	8,893,323
Consumer expenses	-	61,791	2,975	64,766	-	-	-	64,766
Food	670,402	759,374	6,718	1,436,494	22,445	8,652	31,097	1,467,591
Audit and legal	2,253	22,608	-	24,861	320,564	-	320,564	345,425
Travel	2,189	533,611	4,356	540,156	16,215	291	16,506	556,662
Expensed equipment	184,238	264,729	-	448,967	30,792	15,065	45,857	494,824
Information technology	167,632	140,236	272	308,140	336,008	15,843	351,851	659,991
Telecommunications	182,855	376,632	2,866	562,353	61,508	2,125	63,633	625,986
Staff development	68,964	45,792	42,862	157,618	206,296	707	207,003	364,621
Insurance	393,150	502,232	9,040	904,422	256,897	7,412	264,309	1,168,731
Real estate taxes	133,051	28,396	-	161,447	39,274	-	39,274	200,721
Supplies	986,863	735,490	80,815	1,803,168	80,547	37,752	118,299	1,921,467
Professional fees	108,829	7,568	677	117,074	645,891	1,708	647,599	764,673
Interest and bank fees	47,729	534,251	148	582,128	328,089	13,199	341,288	923,416
Interest expense, amortization of debt issuance costs	12,466	27,921	-	40,387	-	-	-	40,387
Services assessment	-	1,074,461	-	1,074,461	-	-	-	1,074,461
Miscellaneous expenses	66,657	226,515	2,266	295,438	70,651	3,037	73,688	369,126
Total other expenses	4,607,977	11,938,623	390,472	16,937,072	2,893,151	105,948	2,999,099	19,936,171
Subtotal before depreciation and amortization	38,398,047	35,677,750	1,535,221	75,611,018	10,377,769	754,648	11,132,417	86,743,435
<b>Depreciation and Amortization</b>	127,740	1,176,053	-	1,303,793	68,439	-	68,439	1,372,232
Total expenses	\$ 38,525,787	\$ 36,853,803	\$ 1,535,221	\$ 76,914,811	\$ 10,446,208	\$ 754,648	\$ 11,200,856	\$ 88,115,667

See notes to financial statements

**Birch Family Services, Inc.**

## Statements of Cash Flows

Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 2,516,620	\$ 1,293,162
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	1,285,074	1,372,232
Interest expense, amortization of debt issuance costs	33,621	40,387
Gain on sale of fixed assets	(95,640)	(645,274)
Net unrealized and realized gain in fair value of investments	(1,112,814)	(1,100,684)
Net accretion of operating leases	175,921	(151,563)
(Increase) decrease in:		
Accounts receivable	(4,005,073)	(5,467,393)
Pledges receivable	-	161,500
Prepaid expenses and other assets	(1,023,940)	(258,291)
Increase (decrease) in:		
Accounts payable and accrued expenses	(268,613)	882,737
Accrued compensation	(62,916)	1,932,137
Deferred revenue	944,110	183,513
Due to governmental agencies	2,248,272	2,529,086
Net cash flows from operating activities	<u>634,622</u>	<u>771,549</u>
<b>Cash Flows From Investing Activities</b>		
Purchases of fixed assets	(3,066,026)	(2,667,908)
Proceeds from the sale of fixed assets	95,640	990,000
Purchases of investments	(3,759,250)	(7,275,785)
Sales of investments	3,520,660	7,087,233
Change in assets limited as to use	2,499	-
Net cash flows from investing activities	<u>(3,206,477)</u>	<u>(1,866,460)</u>
<b>Cash Flows From Financing Activities</b>		
Repayments of bonds payable	(90,000)	(742,540)
Proceeds from mortgages payable	5,109,366	-
New mortgage issuance costs	(92,163)	-
Repayments of loans and mortgages payable	(422,724)	(361,930)
Repayments of finance leases	(275,159)	(241,683)
Proceeds from line of credit	9,495,654	9,404,539
Repayments of line of credit	(8,972,373)	(9,000,000)
Net cash flows from financing activities	<u>4,752,601</u>	<u>(941,614)</u>
Net change in cash and cash equivalents	2,180,746	(2,036,525)
<b>Cash and Cash Equivalents, Beginning</b>	<u>1,882,402</u>	<u>3,918,927</u>
<b>Cash and Cash Equivalents, Ending</b>	<u><u>\$ 4,063,148</u></u>	<u><u>\$ 1,882,402</u></u>
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash paid during the year for interest	<u><u>\$ 1,119,304</u></u>	<u><u>\$ 819,930</u></u>

**Noncash Transactions**

During the years ended June 30, 2025 and 2024, Birch acquired vehicles via finance lease financing in the amounts of \$373,739 and \$807,819, respectively.

See notes to financial statements

# Birch Family Services, Inc.

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Notes to Financial Statements  
June 30, 2025 and 2024

## 1. Nature of Organization

Birch Family Services, Inc. (Birch) is a not-for-profit organization that operates 9 schools in New York City for preschool and school-age students with various learning disabilities and serious developmental disabilities, as well as for nondisabled children. Birch also operates 10 Intermediate Care Facilities (ICFs), 12 Individual Residential Alternative Facilities (IRAs) and 2 day habilitation facilities and provides other services for developmentally disabled individuals varying in age from birth through adulthood.

## 2. Summary of Significant Accounting Policies

The significant accounting policies followed by Birch in preparing the accompanying financial statements are as follows:

### Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with United States generally accepted accounting principles.

### Classification of Net Assets

The classification of a not-for-profit organization's net assets and its support, revenue and expenses are based on the existence or absence of donor-imposed restrictions. The amounts for each class of net assets, net assets without donor restrictions or net assets with donor restrictions, are presented in the statements of financial position, and the amounts of change in each of those classes of net assets are presented in the statements of activities.

These classes are defined as follows:

**Net Assets Without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations and that may be expended for any purpose in achieving the primary objectives of Birch.

**Net Assets With Donor Restrictions** - Net assets resulting from contributions and other inflows of assets whose use by Birch is limited by donor-imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of Birch pursuant to those stipulations. When such stipulations end or are fulfilled, such net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions also include net assets that are subject to donor-imposed stipulations that must be maintained in perpetuity by Birch.

### Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid financial instruments with original maturity dates of three months or less from the date purchased.

### Fair Value

Under authoritative guidance, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the entity transacts. Birch must determine whether its assets and liabilities recorded at fair value are valued based on Level 1 (valued based on quoted prices in an active market for identical assets), Level 2 (valued based on significant other observable inputs) or Level 3 (valued based on significant unobservable inputs) measurements.

## **Birch Family Services, Inc.**

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### Notes to Financial Statements

June 30, 2025 and 2024

#### **Investments**

Investments are recorded at their fair values based upon quoted market prices, when available, or estimates of fair value. Donated investments are recorded at fair value at the date of donation or, if sold immediately after receipt, at the amount of sales proceeds received (which are considered a fair measure of the value at the date of donation). Gains and losses on investments are reported in the statements of activities as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

#### **Accounts Receivable**

Accounts receivable are stated at the amount of consideration due from third-party payors, which Birch has the right to receive. As of June 30, 2025 and 2024, substantially all accounts receivable were due from New York State, Medicaid and other government agencies. Consistent with industry standards, receivables due from various payors are generally payable within 45 to 120 days (except for the New York State Education Department reconciled rate receivables, which are payable over longer periods).

#### **Allowance for Credit Losses**

Birch recognizes an allowance for credit losses for its receivables arising from reciprocal transactions (accounts receivable) to present the net amount expected to be collected as of the statements of financial position dates. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. Such receivables are written off when Birch determines that such receivables are deemed uncollectible.

Birch utilizes the loss rate method in determining its lifetime expected credit losses on accounts receivable. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables. As of June 30, 2025 and 2024, the allowance for credit losses was approximately \$215,000.

#### **Allowance for Doubtful Accounts**

Birch recognizes an allowance for doubtful accounts for receivables arising from nonreciprocal revenue. Bad debt expense is recorded when a receivable is determined to be uncollectible based upon periodic review of the accounts by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year-end. As of June 30, 2025 and 2024, there was no allowance for doubtful accounts.

#### **Assets Limited as to Use**

Assets limited as to use represent debt service reserve funds established as required under the bond financing agreements, plus interest earned.

## Birch Family Services, Inc.

### Notes to Financial Statements

June 30, 2025 and 2024

#### Deferred Bond and Loan Financing Costs

Issuance costs related to the acquisition and refinancing of bonds and loans are amortized as interest expense over the lives of the related bond or loan obligation and are reported as a direct deduction of the related debt on the statements of financial position.

#### Fixed Assets, Net

Fixed assets are stated at cost, net of accumulated depreciation and amortization. Birch's policy is to capitalize all purchases in excess of \$5,000 and with useful lives of one year or more. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

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

The useful lives of the fixed assets are as follows:

	<b>Estimated Useful Lives (Years)</b>
Buildings and building improvements	25
Leasehold improvements	5-25
Furniture, fixtures and equipment	3-20
Vehicles	3-5

#### Impairment of Long-lived Assets

Long-lived assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such assets are deemed to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. There were no impairment losses for the years ended June 30, 2025 and 2024.

#### Vacation and Sick Time

Vacation time is available to all employees of Birch except for instructional staff, per-diem and part-time employees. Unused vacation time as of each fiscal year end (June 30) may be carried over until September 30 of the following fiscal year for use. Vacation time not utilized by September 30 will be converted into banked sick time. Employees who terminate employment and provide appropriate notice will be paid out for accrued but unused vacation time they have earned during the current fiscal year. Sick time is available to all employees of Birch except for per-diem and part-time employees and is only to be utilized for time off needed for an illness. Unused sick time as of each fiscal year end will be transferred to the employee's banked sick time. Employees may bank a maximum of 90 sick days. Terminated employees are not compensated for unused sick or banked sick time days.

#### Revenue Recognition

*Contributions and promises to give* - Contributions, including unconditional promises to give that are expected to be collected within one year, are recognized as revenues in the period they are made/pledged and are either classified as with or without donor restrictions. Conditional contributions, including conditional promises to give, which contain both a barrier and a right of return or release, are not included as support until the conditions are substantially met.

## Birch Family Services, Inc.

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### Notes to Financial Statements

June 30, 2025 and 2024

Birch reports gifts of land, buildings and equipment as contributions without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as additions to net assets with donor restrictions. Expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

Government grants are generally earned based on contract rates or costs incurred up to the approved amounts. These grants are subject to audit and adjustment based upon regulations of the various funding entities. The effects of any such adjustments are recorded when reasonably determinable.

*Third-party reimbursement and revenue recognition* - Birch receives substantially all of its revenue for services provided to approved clients from third-party reimbursement agencies. These fee for service 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. In the opinion of management, retroactive adjustments, if any, would not be material to the financial position or results of operations of Birch.

Tuition revenue and Medicaid revenue for community services are reported at the estimated net realizable amounts from patients, third-party payors and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Accounts receivable from contracts with customers as of June 30, 2025, June 30, 2024 and July 1, 2023 were \$21,177,039, \$17,171,966 and \$11,704,573, respectively.

Deferred revenue from contracts with customers as of June 30, 2025, June 30, 2024 and July 1, 2023 were \$1,320,123, \$376,013 and \$192,500, respectively.

### Special Events

A portion of special events revenue represents a reciprocal transaction equal to the cost of direct expenses with the remainder representing contributions. For the years ended June 30, 2025 and 2024, direct expenses were \$219,257 and \$158,425, respectively, and are netted against special events revenue.

### Functional Allocation of Expenses

The costs of providing the various programs, fundraising and administrative activities have been detailed by expense category on a functional basis in the statements of functional expenses. Direct program, fundraising and administrative expenses are charged to the cost centers in which they are incurred. Shared costs have been allocated among the various cost centers based using allocation methods below.

Birch utilizes various allocation methodologies for all staff to ensure costs are fairly and accurately allocated across each program based on estimated time and effort, job function, census capacity or classroom capacity weighted by hours of operation.

Payroll taxes and employee benefits are allocated using the ratio value of the monthly salary expense for each site/program as a percentage of the total agency salary on a monthly basis.

Property expenses, depreciation and amortization are allocated based on square footage.

**Tax Status**

Birch is 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 (IRC). Birch has been determined by the Internal Revenue Service (IRS) not to be a private foundation within the meaning of Section 509(a) of the IRC.

**Uncertain Tax Positions**

Management evaluated Birch's tax positions and concluded that Birch had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) No. 740.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Concentration of Credit Risk**

Financial instruments which potentially subject Birch to concentration of credit risk consist primarily of cash and cash equivalents, investments and accounts receivable. At various times, Birch has cash deposits at financial institutions which exceed the Federal Deposit Insurance Corporation insurance limits. These financial institutions have strong credit ratings and management believes that credit risk related to these accounts is minimal. Investments are subject to credit risk (i.e. risk investments may be less than AAA rating), interest rate risk (i.e. risk that investments' interest rates are unfavorable to in comparison to market interest rates) and concentration of credit risk (i.e. risk that portfolio of investments may not be diversified due to a limited number of investments). Accounts receivable are predominantly from federal, state and local governmental agencies.

**Lease Expense**

Birch has operating leases for its administrative offices, program sites, vehicles and office equipment. Birch recognizes right-of-use assets and operating lease liabilities for operating leases based on the net present value of future minimum lease payments. Lease expense is recognized on a straight-line basis over the noncancelable lease term, including renewal periods that are considered reasonably certain.

## Birch Family Services, Inc.

Notes to Financial Statements

June 30, 2025 and 2024

### 3. Revenue From Contracts With Customers

Birch disaggregates revenue from contracts with customers by type of service as this depicts the nature, amount, timing and uncertainty of its revenue and cash flows as affected by economic factors. Performance obligations are satisfied as services are rendered. Payments are due upon receipt of related billing. Birch's tuition revenue is fee for service revenues funded by the New York City Department of Education (DOE) and New York State Department of Education (SED). Birch's community services revenue is fee for service revenues funded by New York State Department of Health for the Office for People with Developmental Disabilities (OPWDD) programs. Medicaid revenue for community services consists of the following for the year ended June 30, 2025:

	<b>Intermediate Care Facilities (ICF)</b>	<b>Individualized Residential Alternatives (IRA)</b>	<b>Day and Community Habilitation and Other</b>	<b>Total</b>
Medicaid	\$ 26,876,418	\$ 17,659,769	\$ 2,138,147	\$ 46,674,334
ICF capital reimbursement	832,789	-	-	832,789
Food stamps	-	234,070	-	234,070
IRA room and board fees	-	704,824	-	704,824
SSI/SSA	323,378	741,523	-	1,064,901
Residential reserve for replacement	-	67,200	-	67,200
Other	-	17,000	77,905	94,905
<b>Total</b>	<b>\$ 28,032,585</b>	<b>\$ 19,424,386</b>	<b>\$ 2,216,052</b>	<b>\$ 49,673,023</b>

Medicaid revenue for community services consists of the following for the year ended June 30, 2024:

	<b>Intermediate Care Facilities (ICF)</b>	<b>Individualized Residential Alternatives (IRA)</b>	<b>Day and Community Habilitation and Other</b>	<b>Total</b>
Medicaid	\$ 18,720,158	\$ 11,769,549	\$ 2,120,679	\$ 32,610,386
ICF capital reimbursement	759,641	-	-	759,641
Food stamps	-	195,410	-	195,410
IRA room and board fees	-	227,325	-	227,325
SSI/SSA	331,481	632,239	-	963,720
Residential reserve for replacement	-	57,600	-	57,600
Supplemental income	-	1,373,445	-	1,373,445
Other	387,706	386,111	118,630	892,447
<b>Total</b>	<b>\$ 20,198,986</b>	<b>\$ 14,641,679</b>	<b>\$ 2,239,309</b>	<b>\$ 37,079,974</b>



## Birch Family Services, Inc.

Notes to Financial Statements  
June 30, 2025 and 2024

### 4. Investments

The following table presents the fair value hierarchy of investments for Birch as of June 30, 2025 and 2024:

	Fair Value Measurements	
	2025	2024
Equities	\$ 2,314,572	\$ 2,012,315
Mutual funds	10,203,924	9,055,541
Treasury notes and bonds	788,460	906,930
Total assets in the fair value hierarchy	13,306,956	11,974,786
Cash equivalents	175,343	156,109
Total	\$ 13,482,299	\$ 12,130,895

Equities, mutual funds, treasury notes and bonds are classified within Level 1 as they have readily determinable fair values based on daily redemption values.

### 5. Assets Limited as to Use

Assets limited as to use consist of four debt service reserve funds that are established for the purpose of assuring that Birch has sufficient funds for payment of debt service on the related bonds in each year when they become due. The underlying securities of assets limited as to use are classified within Level 1 as they have readily determinable fair values based on daily redemption values. As of June 30, 2025 and 2024, assets limited as to use were \$137,141 and \$139,640, respectively.

### 6. Fixed Assets, Net

Fixed assets, net, consist of the following as of June 30, 2025 and 2024:

	2025	2024
Land	\$ 3,359,827	\$ 1,859,827
Building and building improvements	16,756,735	16,305,998
Construction in progress	3,168,880	2,673,291
Leasehold improvements	8,213,099	7,593,399
Furniture, fixtures and equipment	2,659,610	2,659,610
Vehicles and equipment under finance lease obligations	1,926,188	1,552,449
	36,084,339	32,644,574
Less accumulated depreciation and amortization	17,339,373	16,054,299
Fixed assets, net	\$ 18,744,966	\$ 16,590,275

## Birch Family Services, Inc.

Notes to Financial Statements  
June 30, 2025 and 2024

### 7. Due to Governmental Agencies

Due to governmental agencies as of June 30, 2025 and 2024 consists of the following:

	2025	2024
Due to New York State as related to OPWDD Programs	\$ 3,785,829	\$ 1,890,897
Due to New York State Education Department	5,369	5,369
Due to the New York City Department of Education	3,956,231	3,662,750
Other	423,195	363,336
Total	<u>\$ 8,170,624</u>	<u>\$ 5,922,352</u>

### 8. Lines of Credit

On July 15, 2022, Birch entered into a revolving line of credit agreement of \$7,000,000 with TD Bank with an expiration date of June 30, 2026. Interest is payable monthly at the prime rate (7.50% and 8.50% as of June 2025 and 2024, respectively). The note is secured by the related receivables which are used to determine the borrowing base as defined in the agreement. There was approximately \$6,181,000 and \$2,185,000 outstanding as of June 30, 2025 and 2024, respectively. Interest expense related to this line of credit was approximately \$381,000 and \$239,000 for the years ended June 30, 2025 and 2024, respectively.

On July 15, 2022, Birch entered into a revised bridge loan line of credit agreement of \$11,000,000 with TD Bank which has an expiration date of June 30, 2026. Interest is payable monthly at the prime rate (7.50% and 8.50% as of June 30, 2025 and 2024, respectively). The note is secured by the related property. There was approximately \$0 and \$3,472,000 outstanding as of June 30, 2025 and 2024, respectively. Interest expense related to this line of credit was approximately \$127,000 and \$126,000 for the years ended June 30, 2025 and 2024, respectively.

The lines of credit with TD Bank are subject to certain financial covenants. As of June 30, 2025, one of the financial covenants was not met and a waiver was obtained. Birch was in compliance with the other financial covenant. As of June 30, 2024, Birch was in compliance with all of the financial covenants.

## Birch Family Services, Inc.

Notes to Financial Statements  
June 30, 2025 and 2024

### 9. Bonds Payable

Bonds payable due to the Dormitory Authority of the State of New York (DASNY) consist of the following as of June 30, 2025 and 2024, respectively:

Issuer	Description	Date of Issuance	Amount	Balance as of June 30, 2025	Balance as of June 30, 2024	Collateral
DASNY	Series 2013A-1 at 3.0% per annum, due June 1, 2028	March 13, 2013	\$ 1,300,000	\$ 302,023	\$ 392,023	Leasehold mortgage liens and security interests in Irwin IRA facilities
DASNY	Series 2015A-1 at 3.0% per annum, due July 1, 2029	November 26, 2014	1,385,000	-	-	Leasehold mortgage liens and security interests in Howard Beach facility
	Subtotal			302,023	392,023	
	Premium on bonds payable			27,429	27,429	
	Less unamortized bond costs			(1,133)	(1,133)	
	Total bonds payable			<u>\$ 328,319</u>	<u>\$ 418,319</u>	

During the year ended June 30, 2024, the Series 2015A-1 DASNY bond was satisfied in conjunction with the sale of the Howard Beach facility.

## Birch Family Services, Inc.

### Notes to Financial Statements

June 30, 2025 and 2024

Required principal and interest payments on the bonds payable are as follows for the years ending June 30:

2026	\$	103,850
2027		106,000
2028		<u>137,452</u>
Total principal and interest payments		347,302
Less amounts representing interest		<u>(17,850)</u>
Net principal payments		329,452
Less current portion		(95,000)
Less unamortized bond costs		<u>(1,133)</u>
Bonds payable, net of current portion	\$	<u><u>233,319</u></u>

Interest expense related to bonds payable and related debt issuance costs was approximately \$12,000 and \$15,000 for the years ended June 30, 2025 and 2024, respectively.

The series bonds are subject to a certain financial covenant, whereby Birch is required to comply with a certain key financial ratio. As of June 30, 2025 and 2024, Birch was in compliance with the debt service coverage ratio as required in the bond agreement.

## 10. Mortgages Payable

Mortgages payable consist of the following as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Mortgage payable to Citibank, due June 10, 2025, payable in monthly installments of \$3,393 plus interest of 5.12%, secured by related property.	\$ -	\$ 40,716
Mortgage payable to TD Bank, due January 1, 2031, payable in monthly installments of \$4,758 including interest of 4.152%, secured by related property. This mortgage has a balloon payment of \$574,448, including interest, due on January 1, 2031.	734,115	759,729
Mortgage payable to TD Bank, due January 1, 2031, payable in monthly installments of \$5,725 including interest of 4.15%, secured by related property. This mortgage has a balloon payment of \$1,242,887, including interest, due on January 1, 2031.	1,319,612	1,332,494
Mortgage payable to TD Bank, due January 1, 2031, payable in monthly installments of \$5,194 including interest of 4.15%, secured by related property. This mortgage has a balloon payment of \$626,730, including interest, due on January 1, 2031.	801,095	829,066

**Birch Family Services, Inc.**

## Notes to Financial Statements

June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
Mortgage payable to Citibank, due June 10, 2025, payable in monthly installments of \$3,597 plus interest of 5.12%, secured by related property.	\$ -	\$ 43,161
Mortgage payable to TD Bank due August 2032, payable in monthly installment of \$10,868 including interest of 6.68% secured by related property. This mortgage has a balloon payment of \$813,710, including interest, due on August 1, 2032.	1,236,884	1,281,798
Mortgage payable to TD Bank due August 2032, payable in monthly installment of \$17,311 including interest of 6.68% secured by related property. This mortgage has a balloon payment of \$1,307,468, including interest, due on August 1, 2032.	1,968,080	2,040,196
Mortgage payable to TD Bank, due August 1, 2029, payable in monthly installments of \$7,305 including interest of 4.65%, secured by related property.	318,179	396,947
Mortgage payable to TD Bank, due November 1, 2049, payable in monthly installments of \$9,622 including interest of 8.00%, secured by related property.	1,225,108	-
Mortgage payable to TD Bank, due November 1, 2049, payable in monthly installments of \$1,711 including interest of 8.00%, secured by related property.	215,115	-
Mortgage payable to TD Bank, due November 1, 2049 payable in monthly installments of \$15,683 including interest of 8.00%, secured by related property.	2,002,938	-
Mortgage payable to TD Bank, due December 1, 2034, payable in monthly installments of \$10,695 including interest of 6.30%, secured by related property. This mortgage has a balloon payment of \$1,240,000, including interest, due on December 1, 2034.	1,589,623	-
Total mortgages payable	11,410,749	6,724,107
Less current portion	(398,905)	(337,266)
Less unamortized loan costs	(106,249)	(47,707)
Loans and mortgages payable, net of current portion	<u>\$ 10,905,595</u>	<u>\$ 6,339,134</u>

Required principal payments are as follows for the years ending June 30:

2026	\$ 398,905
2027	422,632
2028	353,658
2029	324,300
2030	345,553
Thereafter	9,565,701
Total	<u>\$ 11,410,749</u>

Interest expense related to the loans and mortgages payable and related debt issuance costs was approximately \$647,000 and \$381,000 for the years ended June 30, 2025 and 2024, respectively.

## Birch Family Services, Inc.

### Notes to Financial Statements

June 30, 2025 and 2024

The mortgages payable to Citibank and TD Bank are subject to a certain financial covenant, whereby Birch is required to comply with a certain key financial ratio. As of June 30, 2025 and 2024, Birch was in compliance with the financial covenant.

## 11. Leases

Birch is a party to various lease commitments. Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria.

### Finance Leases

Birch leases various automobiles under finance leases that expire at various dates through 2029 which require monthly payments of principal and interest with rates ranging from 3.2% to 8.9%. As of June 30, 2025 and 2024, the cost basis of the automobiles totaled approximately \$1,812,000 and \$1,438,000, respectively; and the net book values totaled approximately \$816,000 and \$719,000, respectively. The following is a schedule of the future minimum lease payments including interest under the terms of the leases, together with the present value of the net minimum lease payments as of June 30, 2025:

2026	\$	268,517
2027		321,259
2028		168,659
2029		91,903
2030		63,849
		<hr/>
Total minimum lease payments		914,187
Less amounts representing interest		<hr/>
		132,736
		<hr/>
Net minimum lease payments		781,451
Less current portion		<hr/>
		288,234
		<hr/>
Finance leases, net of current portion	\$	<u>493,217</u>

Amortization expense for the years ended June 30, 2025 and 2024 approximated \$263,000 and \$211,000, respectively.

Interest expense for the years ended June 30, 2025 and 2024 approximated \$67,000 and \$31,000, respectively.

### Operating Leases

Birch's right-of-use assets pertaining to operating leases represent the right to use the agreements' underlying assets for the respective lease terms, and the corresponding operating lease liabilities represent the obligation to make lease payments arising from the respective leases. Such right-of-use assets and operating lease liabilities are recognized at each of the leases' commencement dates at the present value of lease payments over the lease term for leases with initial terms greater than a year.

A right-of-use asset and operating lease liability are not recognized for leases with an initial term of 12 months or less, and Birch recognizes lease expense for such leases over the lease term in the statements of activities.

## Birch Family Services, Inc.

### Notes to Financial Statements

June 30, 2025 and 2024

Birch's operating leases have remaining lease terms ranging from less than 1 to 25 years, some of which may include options to extend. Lease payments related to periods subject to renewal options are excluded from the amounts used to determine the right-of-use leased assets and liabilities, unless Birch is reasonably certain to exercise the option to extend the lease.

In determining the discount rate used to measure the right-of-use assets and lease liabilities, Birch uses the rate implicit in the lease, or if not readily available, Birch uses a risk-free rate based on U.S. Treasury notes or bond rates for a similar term.

Right-of-use assets are assessed for impairment in accordance with Birch's long-lived asset policy. Birch reassesses lease classification and remeasures right-of-use assets and lease liabilities when a lease is modified and that modification is not accounted for as a separate new lease or upon certain other events that require reassessment in accordance with ASC 842.

Birch made significant assumptions and judgments in applying the requirements of ASC 842. In particular, Birch:

- Evaluated whether a contract contains a lease, by considering factors such as whether Birch obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights;
- determined whether contracts contain embedded leases;
- evaluated leases with similar commencement dates, lengths of term, renewal options or other contract terms, which therefore meet the definition of a portfolio of leases, whether to apply the portfolio approach to such leases;
- determined for leases that contain a residual value guarantee, whether a payment at the end of the lease term was probable and, accordingly, whether to consider the amount of a residual value guarantee in future lease payments.

The components of lease cost included in the accompanying statements of functional expenses for the years ended June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Operating lease cost:		
Lease cost, leases with terms greater than one year	\$ 5,380,685	\$ 5,077,087
Short-term lease cost	<u>-</u>	<u>-</u>
Total	<u>\$ 5,380,685</u>	<u>\$ 5,077,087</u>

**Birch Family Services, Inc.**

## Notes to Financial Statements

June 30, 2025 and 2024

Other information related to leases and supplemental cash flow data as of and for the years ended June 30, 2025 and 2024 are as follows:

	<u>2025</u>	<u>2024</u>
Operating cash flows paid for operating leases for the year	\$ 5,782,574	\$ 5,228,232
Right-of-use leased assets obtained in exchange for new operating lease obligations	\$ 9,879,818	\$ 429,353
Weighted-average remaining lease term (in years):		
Operating leases, lease term in years and lease liability at end of year	8.72	4.63
Weighted-average discount rate on operating leases, discount rate and remaining cash lease payments	3.05 %	1.25 %

Future minimum payments under operating leases as of June 30, 2025 were as follows:

Years ending June 30:

2026	\$ 5,135,870
2027	3,754,493
2028	2,309,896
2029	2,125,730
2030	1,484,898
Thereafter	<u>9,626,381</u>
Total	24,437,268
Less present value discount	<u>(4,023,715)</u>
Total operating lease liabilities	20,413,553
Less current portion	<u>5,135,870</u>
Long-term operating lease liabilities	<u><u>\$ 15,277,683</u></u>

**12. Net Assets With Donor Restrictions**

Net assets with donor restrictions are available for the following purposes as of June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
New Frontier programs	\$ 97,252	\$ 47,252
Community service and education programs	-	96,509
Early Childhood Education programs	-	297,500
Education services - vocational labs	34,915	-
Other	<u>48,690</u>	<u>45,690</u>
Total	<u><u>\$ 180,857</u></u>	<u><u>\$ 486,951</u></u>



## Birch Family Services, Inc.

Notes to Financial Statements  
June 30, 2025 and 2024

Net assets were released from restrictions by incurring expenses satisfying the restricted purposes as follows for the years ended June 30, 2025 and 2024, respectively:

	2025	2024
New Frontier programs	\$ 297,000	\$ 511
Community service and education programs	96,509	50,445
Other	15,085	21,100
Total	<u>\$ 408,594</u>	<u>\$ 72,056</u>

### 13. Contributed Nonfinancial Assets

Birch recorded donated rent for use of a building owned by the City of New York. The fair value of the donated rent for the years ended June 30, 2025 and 2024 is approximately \$596,000 and \$594,000, respectively, and is included in occupancy expense on the statements of functional expenses. The donated space is used for program activities. Birch estimated the fair value of the rented space utilizing comparable rental prices in the real estate market where the building is located.

### 14. Pension Plans

#### Retirement Plan

Birch has a 401(a) profit sharing defined contribution plan which provides retirement benefits to substantially all eligible employees. Employees become eligible to participate after completion of one year of service and 1,000 hours of eligible service, as defined in the plan document and attainment of age 21. Retirement expense was approximately \$754,000 and \$698,000 for the years ended June 30, 2025 and 2024, respectively.

#### 403(b) Plan

Birch has a 403(b) tax-deferred annuity plan whereby participants in the plan may elect to defer a portion of their salary and direct Birch to contribute that deferral to the plan on their behalf. Employees become eligible to participate upon date of hire by directing Birch to make the aforementioned salary reduction contributions.

#### 457(b) Plan

Birch has a Section 457(b) deferred compensation plan for one key employee. The fully funded liability and the corresponding asset and liability related to the plan amounted to approximately \$396,000 and \$344,000, as of June 30, 2025 and 2024, respectively, and are included in prepaid expenses and other assets and accrued compensation in the accompanying statements of financial position.

## Birch Family Services, Inc.

Notes to Financial Statements  
June 30, 2025 and 2024

### 15. Commitments and Contingencies

#### Office of State Comptroller

Birch's Pre-School programs funded by SED for children ages 3 and 4 with developmental delays were audited by the Office of the State Comptroller of New York (OSC). The purpose of the audit is to review Birch's costs as reported on the Consolidated Fiscal Report to ensure that expenses are correctly allocated and attributed to the appropriate cost centers as per guidelines set forth in the Reimbursement Cost Manual (RCM). Birch received a final report which indicates no findings of fraud, waste or abuse. The report does have some findings that Birch's management contested and submitted their response to SED in April of 2018. It is uncertain when Birch will receive a response from SED. Birch's management, working with counsel and an educational consultant, is confident that many of the findings will be abated.

#### Litigation

In the opinion of management, Birch is not subject to litigation for which the effect, if any, of an unfavorable settlement of such litigation would have a material adverse effect on Birch's financial position, results of activities or cash flows.

### 16. Liquidity and Availability of Resources

The following table reflects Birch's financial assets available within one year of the statements of financial position dates for general expenditure such as operating expenses, debt service and fixed asset purchases not financed with debt financing as of June 30, 2025 and 2024. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	2025	2024
Cash and cash equivalents	\$ 4,063,148	\$ 1,882,402
Investments	13,482,299	12,130,895
Accounts receivable	21,177,039	17,171,966
Total financial assets	38,722,486	31,185,263
Less donor-restricted amounts	180,857	486,951
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 38,541,629</u>	<u>\$ 30,698,312</u>

As part of Birch's liquidity management, its practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. Birch has access to substantial lines of credit to help meet any short-term obligations. Birch's major revenue funders are Medicaid and the New York City Board of Education whose payments are received on regularly scheduled dates both weekly and monthly based on the services provided.

### 17. State Education Department Retained Surplus

Birch retained a surplus of \$2,666,737, \$2,770,856 and \$2,844,472 during the years ended June 30, 2025, 2024 and 2023, respectively, related to its preschool programs in accordance with the State Education Department's tuition reimbursement methodology which allows preschool special education providers to retain annual surpluses up to 11%. These surpluses were used to pay prior years' program losses generated by these programs and for reimbursable expenses in excess of allowable and reimbursable costs in the current year.

**18. Subsequent Events**

Birch has performed subsequent event procedures through November 20, 2025, which is the date the financial statements were issued. There were no subsequent events requiring adjustment to the financial statements.