Edgewood Center for Children and Families

Consolidated Financial Statements

June 30, 2024

Independent Auditors' Report

To the Board of Directors of
Edgewood Center for Children and Families

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Edgewood Center for Children and Families (a California non-profit organization) and its subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2024, 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 accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Organization 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 Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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 the Organization'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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 and *Government 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 GAAS and *Government 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 the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2023 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated April 26, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2025, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Baker Tilly US, LLP

San Francisco, California
January 10, 2025

Edgewood Center for Children and Families

Consolidated Statement of Financial Position
June 30, 2024 (with comparative financial information for June 30, 2023)

	2024	2023
Assets		
Current Assets		
Cash and cash equivalents	$ 31,691,739	$ 9,190,942
Accounts receivable, net	1,775,690	3,695,612
Government grants receivable	3,316,092	1,635,953
Pledges receivable, current	325,000	375,000
Prepaid expenses and other current assets	832,303	642,963
Total current assets	37,940,824	15,540,470
Property and Equipment, net	1,563,377	19,687,857
Other Assets		
Cash restricted for endowment	133,000	133,000
Pledges receivable, net of present value discount and current portion	380,512	681,865
Beneficial interest in perpetual trust	1,457,350	1,368,816
Operating lease right-of-use assets	537,899	780,290
Total other assets	2,508,761	2,963,971
Total assets	$ 42,012,962	$ 38,192,298
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,512,442	$ 2,912,112
Refunds payable and overpayments	94,501	414,781
Contract advances	2,112,591	2,697,925
Operating lease liabilities, current	206,037	683,881
Total current liabilities	5,925,571	6,708,699
Long-Term Liabilities		
Operating lease liabilities, net of current portion	343,332	146,837
Deferred income, ERC	5,995,729	-
Defined benefit plan, unfunded deficit	69,730	1,829,561
Total long-term liabilities	6,408,791	1,976,398
Total liabilities	12,334,362	8,685,097
Net Assets		
Net assets without donor restrictions		
Controlling interest	26,422,974	25,902,870
Noncontrolling interest	-	659
Total net assets without donor restrictions	26,422,974	25,903,529
With donor restrictions	3,255,626	3,603,672
Total net assets	29,678,600	29,507,201
Total liabilities and net assets	$ 42,012,962	$ 38,192,298

Edgewood Center for Children and Families

Consolidated Statement of Activities
Year Ended June 30, 2024 (with summarized comparative financial information for the year ended June 30, 2023)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Government cost reimbursement grants	$ 22,519,930	$ -	$ 22,519,930	$ 21,805,349
Contributions of financial assets	953,102	485,572	1,438,674	13,447,818
Private pay and fee for service	5,199,357	-	5,199,357	4,343,507
Special event income, net of costs of direct benefit to donors of $172,282 and $149,737 in 2024 and 2023, respectively	264,646	-	264,646	226,944
Net assets released from restrictions	922,152	(922,152)	-	-
Total revenue and support	29,859,187	(436,580)	29,422,607	39,823,618
Expenses				
Program services	26,016,138	-	26,016,138	23,704,930
Support services	5,252,207	-	5,252,207	4,146,784
Total expenses	31,268,345	-	31,268,345	27,851,714
Change in net assets from operations	(1,409,158)	(436,580)	(1,845,738)	11,971,904
Other Revenue (Expense)				
Contributions of nonfinancial assets	-	-	-	18,137,525
Pension-related changes	431,909	-	431,909	527,402
Change in beneficial interest in perpetual trust	-	88,534	88,534	8,840
Net realized gain on investments	-	-	-	351,642
Interest income	959,356	-	959,356	92,081
Income from investment in commercial real estate, net	810,195	-	810,195	697,957
Gain on sale of equipment	-	-	-	12,700
Other income	2,196	-	2,196	8,496
Other expense	(274,394)	-	(274,394)	(203,128)
Total other revenue, net	1,929,262	88,534	2,017,796	19,633,515
Change in Net Assets Before Noncontrolling Interest Activity	520,104	(348,046)	172,058	31,605,419
Noncontrolling Interest Activity				
Contributions of nonfinancial assets, noncontrolling interest	-	-	-	659
Distribution to noncontrolling interest	(659)	-	(659)	-
Change in net assets	519,445	(348,046)	171,399	31,606,078
Net Assets (Deficit), Beginning	25,903,529	3,603,672	29,507,201	(2,098,877)
Net Assets, Ending	$ 26,422,974	$ 3,255,626	$ 29,678,600	$ 29,507,201

See notes to consolidated financial statements

Edgewood Center for Children and Families

Consolidated Statement of Functional Expenses
Year Ended June 30, 2024 (with summarized comparative financial information for the year ended June 30, 2023)

	2024						2023
		Support Services					
	Program Services	Administrative Services	Development	Special Events	Total Support Services	Total	Total
Salaries	$ 16,898,358	$ 2,133,298	$ 710,672	-	$ 2,843,970	$ 19,742,328	$ 17,664,222
Payroll taxes and benefits	3,703,756	350,692	132,776	-	483,468	4,187,224	3,880,492
Total personnel costs	20,602,114	2,483,990	843,448	-	3,327,438	23,929,552	21,544,714
Occupancy costs	1,809,356	59,880	33,832	-	93,712	1,903,068	1,686,963
Professional fees	633,739	582,433	416,549	164,607	1,163,589	1,797,328	1,265,763
Communications and IT	1,385,747	89,691	44,537	-	134,228	1,519,975	1,379,956
Children's supplies	570,696	2,490	119,262	-	121,752	692,448	631,472
Business insurance	443,890	34,805	11,189	-	45,994	489,884	346,934
Purchased services	216,772	34,684	28,207	-	62,891	279,663	203,481
Depreciation and amortization	243,091	22,385	5,135	-	27,520	270,611	370,670
Credit loss expense	-	292,235	-	-	292,235	292,235	39,185
Supplies	62,088	5,418	11,884	5,590	22,892	84,980	124,705
Interest expense	-	-	-	-	-	-	290,119
Other	48,645	79,385	50,768	2,085	132,238	180,883	117,489
	26,016,138	3,687,396	1,564,811	172,282	5,424,489	31,440,627	28,001,451
Less expenses included with revenues on the statement of activities:							
Costs of direct benefit to donors	-	-	-	(172,282)	(172,282)	(172,282)	(149,737)
	$ 26,016,138	$ 3,687,396	$ 1,564,811	$ -	$ 5,252,207	$ 31,268,345	$ 27,851,714

Edgewood Center for Children and Families

Consolidated Statement of Cash Flows
Year Ended June 30, 2024 (with comparative financial information for the year ended June 30, 2023)

	2024	2023
Cash Flows From Operating Activities		
Change in net assets	$ 172,058	$ 31,606,078
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	270,611	370,670
Amortization of operating lease right-of-use assets	790,209	681,515
Change in present value discount on long-term pledges	(23,647)	68,153
Change in beneficial interest in perpetual trust	(88,534)	(8,840)
Credit loss expense	292,235	39,185
Contributions of nonfinancial assets, controlling interest	-	(18,137,525)
Contributions of nonfinancial assets, noncontrolling interest	-	(659)
Contributions of investments	-	(5,412,354)
Net realized gain on investments	-	(351,642)
Gain on sale of equipment	-	(12,700)
Changes in operating assets and liabilities:		
Accounts receivable	1,627,687	(617,641)
Government grants receivable	(1,680,139)	(1,180,961)
Pledges receivable	375,000	(893,679)
Prepaid expenses and deposits	(189,340)	(21,632)
Accounts payable and accrued liabilities	600,330	158,361
Refunds payable and overpayments	(320,280)	63,993
Contract advances	(585,334)	747,569
Deferred income, ERC	5,995,729	-
Defined benefit plan, unfunded deficit	(1,759,831)	(617,542)
Operating lease liabilities	(829,167)	(723,648)
Net cash flows from operating activities	4,647,587	5,756,701
Cash Flows From Investing Activities		
Proceeds from sale of investments	-	5,763,996
Proceeds from sale of equipment	-	12,700
Proceeds from sale of assets held for sale	18,138,183	-
Purchases of property and equipment	(284,314)	(101,334)
Net cash flows from investing activities	17,853,869	5,675,362
Cash Flows From Financing Activities		
Principal payments on line of credit	-	(4,000,000)
Principal payments on notes payable	-	(824,609)
Distribution to noncontrolling interest	(659)	-
Net cash flows from financing activities	(659)	(4,824,609)
Net change in cash, cash equivalents, and restricted cash	22,500,797	6,607,454
Cash, Cash Equivalents, and Restricted Cash, Beginning	9,323,942	2,716,488
Cash, Cash Equivalents, and Restricted Cash, Ending	$ 31,824,739	$ 9,323,942
Reconciliation of End of Year Totals in The Statement of Cash Flows Related to Captions in The Statement of Financial Position		
Cash and cash equivalents	$ 31,691,739	$ 9,190,942
Cash restricted for endowment	133,000	133,000
	$ 31,824,739	$ 9,323,942
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ -	$ 307,452

See notes to consolidated financial statements

1. Nature of Activities and Summary of Significant Accounting Policies

Description of Organization

Edgewood Center for Children and Families (the Organization or Edgewood), established in 1851 and incorporated in 1920, was the first children's non-profit in the western United States. Edgewood is the Place to Begin for any child or youth to get the mental health care, social services, and academic support they need from highly trained, welcoming professionals. Through committed staff, many with lived experiences, Edgewood offers over 15 programs in San Francisco and San Mateo Counties. Our vision is for everyone we serve to gain a better understanding of self, build confidence, gain strength and welcome joy.

Effective January 1, 2023, Edgewood was assigned 100% ownership of BMPBTC LLC and 99.96% ownership of Napa Office LLC. BMPBTC LLC held land and real estate and operated commercial leasing activities. Napa Office LLC held vacant land and is not an operating entity. During the year ended June 30, 2024, the land and real estate held by BMPBTC LLC and Napa Office LLC were sold and BMPBTC LLC's operations ceased thereafter.

What We Do

Building on a strong and dynamic foundation of services in the Bay Area, Edgewood offers over 15 programs including a full continuum of behavioral health services to children and their families on its unique campus in San Francisco and across five other locations. Prevention and early intervention, community-based services, intensive programs, including 24-hour crisis stabilization, as well as residential care are provided to over 3,200 children, youth, and their caregivers each year. In addition, Edgewood is broadening its outreach and identifying new growth areas that will increase services to a wider range of clients, while realigning its outpatient services to meet the soaring needs of Bay Area children, youth and families who need help now.

Edgewood's prevention and early intervention services include Kinship (Family) Support, Family Resource Centers, and Behavioral Health Consultation. The community-based treatments include School-Based and Wraparound Programs. Finally, the intensive services include a Non-Public Community School, Hospital Diversion, Residential Treatment, Intensive Outpatient Programs, and a Crisis Stabilization Unit. In addition, the Organization recently launched a new comprehensive psychological assessments program to assist children and youth with learning and emotional challenges, and to provide training to youth-serving professionals and agencies.

Staff and Volunteers

Edgewood's services are delivered by more than 300 dedicated professionals with the assistance of over 400 volunteers each year.

Funding

Edgewood receives funding from varied sources, including county and state agencies, commercial insurance, health care systems, school districts and philanthropy.

A summary of significant accounting policies is as follows:

Basis of Presentation, Principals of Consolidation, and Noncontrolling Interest

The accompanying consolidated financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The accompanying consolidated financial statements include the accounts of Edgewood Center for Children and Families, Edgewood's wholly owned subsidiary, BMPBTC LLC, and Edgewood's majority-owned subsidiary, Napa Office LLC. The noncontrolling interest in Napa Office LLC, which is held by an unrelated third party, is excluded from Edgewood's operations and presented separately on the consolidated statement of financial position and consolidated statement of activities. All significant intercompany transactions and balances have been eliminated upon consolidation.

Description of Net Assets

The Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets are classified as follows:

Net Assets without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

Net Assets with Donor Restrictions

Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization or the passage of time.

Net assets with donor restrictions also includes net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the Organization. Such net assets include an endowment fund and a beneficial interest in a perpetual trust.

Cash, Cash Equivalents and Restricted Cash

The Organization considers all short-term investments with original maturity date at the date of the purchase of three months or less to be cash equivalents. Restricted cash relates to amounts held for endowment.

Accounts Receivable

Accounts receivable include receivables from the families or guardians of private pay patients and third-party payors, such as insurance providers or government contracts under fee for service arrangements. Accounts receivables are recorded at the invoiced amounts and are presented net of the allowance for credit losses on the accompanying consolidated statement of financial position to reflect the net amount expected to be collected. The 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 based on our expectation as of the balance sheet date. Receivables are written off when the Organization determines that such receivables are deemed uncollectible. Recoveries of accounts receivable previously written off are recorded when received. The Organization pools its accounts receivable based on similar risk characteristics in estimating its expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the Organization measures those receivables individually. The Organization also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

The Organization utilizes the loss rate method in determining its lifetime expected credit losses on its accounts receivable. This method is used for calculating an estimate of losses based primarily on the Organization's historical loss experience. In determining its loss rates, the Organization evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider the following: past due receivables, customer creditworthiness, and changes in the terms of receivables. For receivables that are not expected to be collected within the normal business cycle, the Organization considers current and forecasted direction of the economic and business environment.

During the year ended June 30, 2024, changes in the allowance for credit losses on accounts receivable consisted of the following:

July 1, 2023	Credit Loss Expense	Bad Debt Write Offs	June 30, 2024
$ 393,133	$ 292,235	$ (583,925)	$ 101,443

Government Grants and Pledges Receivable

Unconditional promises to give are recognized as revenues or gains in the period such promises are made by the donor. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Unconditional promises to give which are scheduled to be received after one year are discounted at rates commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the underlying contributions. At June 30, 2024, the Organization had long-term pledges receivable of $380,512, net of unamortized present value discount of $44,506, which were scheduled to be collected between two to three years. The discount rates used to record the present value discount on the estimated future cash flows of long-term pledges receivable range from 0.78% - 4.56%.

The Organization uses the allowance method to account for uncollectible unconditional promises to give. The allowance is based on prior years' experience and management's analysis of specific promises made. At June 30, 2024, management believes all government grants and pledges receivable are collectible and therefore no allowance for uncollectible grants or pledges receivable has been recorded.

Property and Equipment

Property and equipment are carried at cost, or, if donated, at the fair market value at the date of donation. Purchases of property and equipment are capitalized if the cost of the asset is greater than or equal to $5,000. Depreciation is provided on the straight-line method over the estimated useful lives of the assets, which range from three to twenty years. Leasehold improvements are amortized on the straight-line method over the shorter of the life of the lease term or the estimated useful life of the improvements. Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are expensed as incurred.

Long-Lived Assets Held for Sale

A long-lived asset is classified as held for sale in the period in which all of the following criteria are met:

- Management, having the authority to approve the action, commits to a plan to sell the asset.
- The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets.
- An active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated.
- The sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale, within one year, except as permitted by ASC 360-10-45-11.
- The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value. The price at which a long-lived asset is being marketed is indicative of whether the entity currently has the intent and ability to sell the asset. A market price that is reasonable in relation to fair value indicates that the asset is available for immediate sale, whereas a market price in excess of fair value indicates that the asset is not available for immediate sale.
- Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

Once classified as held for sale, depreciation is not recorded for any long-lived assets.

The land and real estate previously held by BMPBTC LLC and Napa Office LLC were classified as long-lived assets held for sale and were included in property and equipment on the accompanying consolidated statement of financial position prior to sale, which occurred during the year ended June 30, 2024.

Lease Right-of-Use Assets and Lease Liabilities

At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term.

The Organization has made the following accounting policy elections with regard to its lease accounting:

- When the rate implicit in the lease is not determinable, rather than using the Organization's incremental borrowing rate, the Organization elected to use a risk-free discount rate for the initial and subsequent measurement of lease liabilities for its real estate and equipment operating leases.
- The Organization elected not to apply Topic 842 recognition requirements for all leases with an original term of 12 months or less (short-term leases), for which the Organization is not likely to exercise a renewal option or purchase the asset at the end of the lease. Short-term leases will continue to be expensed on a straight-line basis over the lease term.

- The Organization elected not to apply Topic 842 recognition requirements for all leases with an initial right-of-use asset value less than $20,000.

- The Organization elected to account for copier leases using the portfolio approach. These leases have similar commencement dates, length of terms, renewal options or other contract terms and thus have been combined into a lease portfolio. The resulting accounting at the portfolio level does not differ materially from that at the individual lease level.

Impairment of Long-Lived Assets

The Organization reviews the carrying value of long-lived assets, including property and equipment and operating lease right-of-use assets, for impairment whenever events and circumstances indicate that the carrying value of an asset (or asset group) may not be recoverable. Recoverability of assets is measured by a comparison of the carrying amount of an asset to the future undiscounted net cash flows expected to be generated through the use or disposition of the asset over its remaining estimated useful life. If the carrying amount of the asset exceeds the future undiscounted net cash flows, impairment loss is recognized if the carrying amount of the asset exceeds its fair value. As of and during the year ended June 30, 2024, management believes that there were no events or changes in circumstances which indicated that the carrying amount of the Organization's long-lived assets may not be recoverable.

Beneficial Interest in Perpetual Trust

The Organization is an income beneficiary of a perpetual trust, which is managed by a third party. The Organization does not have rights to the trust assets. Income distributed by the trust is to support the Organization's programs and is recorded when received. The Organization's beneficial interest in the perpetual trust is measured at fair value using the net asset value per share and is not required to be categorized in the fair value hierarchy. The change in net asset value is shown as a change in net assets with donor restrictions in the statement of activities.

The Organization does not control the investing or spending policies pertaining to its beneficial interest in a perpetual trust. The investments of the trust are held with a third-party brokerage bank.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described below:

- Level 1 - inputs to the valuation methodology include unadjusted quoted prices for identical assets or liabilities in active markets.

- Level 2 - inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or are corroborated by observable market data by correlation or other means.

- Level 3 - inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Categorization within the valuation hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Revenue Recognition

Contributions and Government Grants

Unconditional promises to give to the Organization are recorded as revenue at fair value when the promise is made. Contributions are recorded as support with or without donor restrictions based on whether they include donor stipulations that limit the use of the contributions. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. The Organization chooses to report donor-restricted contributions whose restrictions and conditions are met at the same time as support within net assets without donor restrictions. Conditional contributions and grants are recognized only when the conditions they depend on are substantially met and they become unconditional.

At June 30, 2024, the Organization had $1,688,208 in uncollected conditional government grants for which conditions have not been met. At June 30, 2024, the Organization had $2,112,591 in contract advances which represents amounts received for conditional government grants for which the conditions had not been met as of year end.

Unconditional contributions of nonfinancial assets are recognized at fair value when the promise to give is made.

Private Pay and Fee for Service

Revenue recognition for private pay and fee for service revenue is evaluated through the following five steps: (i) identification of the contract or contracts with a customer; (ii) identification of the performance obligations in the contract; (iii) determination of the transaction price; (iv) allocation of the transaction price in the contract; and (v) recognition of revenue when or as a performance obligation is satisfied. The Organization utilizes the portfolio approach practical expedient to account for private pay revenue as the contracts and performance obligations have similar characteristics and the Organization reasonably expects that the effects on the financial statements of applying the portfolio method would not differ materially when compared to accounting under an individual contract approach.

Private pay and fee for service revenue is generated by the Organization providing behavioral health care services to customers and is paid through either out-of-pocket from the customer or from third party payors, such as insurance providers or government contracts under fee for service arrangements. Payments relating to these services are due when billed. Private pay and fee for service revenue is recognized over time as services are rendered in accordance with daily billing rates.

Contributions and Bequests from Estates and Trusts

Contributions and bequests receivable from estates and trusts are recognized on an accrual basis when the Organization's interest in an estate or trust becomes known and determinable.

In 2019, the Organization received notice that it had been named a 50% beneficiary of an irrevocable charitable remainder trust. However, the Organization was unable to obtain the necessary information needed to recognize its beneficial interest in the trust and the related contribution revenue at fair value as of and for the year ended June 30, 2024.

Functional Allocation of Expenses

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services pro rata based on the number of employees and space usage.

Income Taxes

Edgewood is exempt from federal and state income taxes under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code, Section 23701(d). Accordingly, Edgewood has not provided for income taxes in the accompanying consolidated financial statements.

BMPBTC LLC and Napa Office LLC are considered disregarded entities for federal tax purposes. For state reporting purposes BMPBTC LLC and Napa Office LLC are subject to the California gross receipts tax and a minimum franchise tax of $800.

Each year, management considers whether the Organization has engaged in any activities that could affect the Organization's income tax status or result in taxable income. Management believes that any positions the Organization has taken are supported by substantial authority and would more likely than not be sustained upon examination by the applicable taxing authority. Accordingly, there are no potential liabilities to be recorded or disclosed in the consolidated financial statements.

Use of Estimates

Management uses estimates and assumptions in preparing the accompanying consolidated financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

The Organization has a defined benefit plan for which the net pension liability is a significant estimate as it is based on actuarial assumptions and is subject to significant fluctuation. Changes in the estimate are reported in the statement of activities in the year in which they occur. Significant estimates include the allowance for credit losses, functional allocation of expenses, depreciation expense, the fair value of the beneficial interest in the perpetual trust, and the fair value defined benefit plan obligation.

Measure of Operations

The Organization's measure of operations is its change in net assets from operating activities, excluding pension-related changes, changes in the value of its beneficial interest in a perpetual trust, interest income, investment income or loss, gain or loss from sales of property and equipment, contributions of nonfinancial assets from a trust, and other miscellaneous nonoperational income and expenses.

Comparative Financial Information

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class or natural expenses by function. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Newly Adopted Accounting Pronouncement

In June 2016, the Financial Accounting Standards Board (FASB) issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326)*. Topic 326 introduces a new credit loss methodology, *Current Expected Credit Losses (CECL)*, which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On July 1, 2023, the Organization adopted ASU No. 2016-13 using the modified-retrospective approach. There was no adjustment to net assets upon adoption.

Subsequent Events

The Organization has evaluated subsequent events through January 10, 2025, the date which these consolidated financial statements were available to be issued.

2. Liquidity and Availability of Financial Assets

Edgewood regularly monitors the availability of resources required to meet its operating needs and other contractual commitments. For the purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to the provision of services to children and families, as well as the conduct of activities undertaken to support these services, to be general operating expenditures. The Organization primarily utilizes cash and cash equivalents to ensure it meets its general operating expenditures needs.

At June 30, 2024, financial assets available to fund general expenditures within one year were as follows:

Cash and cash equivalents	$ 31,691,739
Accounts receivable, net	1,775,690
Government grants receivable	3,316,092
Pledges receivable, current	325,000
Financial assets available to meet general expenditures within one year	$ 37,108,521

3. Concentrations

Credit Risk

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of cash, cash equivalents, and accounts receivables.

Cash and cash equivalents held in bank accounts with banking institutions may, at times, be in excess of federally insured amounts (currently $250,000 per depositor). The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

During the year ended June 30, 2024, 72% of private pay and fee for service revenue related to one customer and customers covered under one insurance provider. At June 30, 2024, 75% of gross accounts receivable were due from two customers and one insurance provider. Management believes that its customer acceptance, billing, and collection policies are adequate to minimize potential credit risk related to credits granted to customers through accounts receivable.

Government Grants

During the year ended June 30, 2024, 98% of government grants revenue were related to the City and County of San Francisco and County of San Mateo. At June 30, 2024, 97% of total government grants receivable were due from the City and County of San Francisco and County of San Mateo.

Contributions

During the year ended June 30, 2024, 20% of contribution revenue related to one donor. At June 30, 2024, 93% of pledges receivable were due from two donors.

Collective Bargaining Agreement

Effective July 2022, the Organization is a party to a collective bargaining agreement with a union representing all full time, regular part-time, and relief staff who provide client care and instructions, employed by the Organization at its San Francisco Vicente Campus. The collective bargaining will expire in June 2025.

4. Property and Equipment

At June 30, 2024, property and equipment consisted of the following:

Building and improvements	$ 13,290,878
Computer equipment and software	3,979,669
Furniture and fixtures	1,739,740
Vehicles	784,004
Total depreciable property and equipment, gross	19,794,291
Less accumulated depreciation	(18,533,174)
Total depreciable property and equipment, net	1,261,117
Construction in progress	194,974
Land	107,286
Total property and equipment, net	$ 1,563,377

5. Leases

During the year ended June 30, 2024, the Organization leased certain real estate for office space and office equipment under operating lease agreements expiring at various dates through April 2027.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term, while lease liabilities represent the Organization's obligation to make lease payments arising from the lease. Right of use assets and lease liabilities are recognized at the commencement date of a lease based on the net present value of lease payments over the lease term. The Organization regularly evaluates renewal and early termination options contained within its leases and, when they are reasonably certain of exercise, the Organization includes such options in the lease term.

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

The Organization 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.

The Organization makes significant assumptions and judgments in evaluating its leases. In particular, the Organization:

- Evaluates whether a contract contains a lease, by considering factors such as whether the Organization obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights.

- Determines whether contracts contain embedded leases.

- Evaluates 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.

- Allocates consideration in the contract between lease and nonlease components.

During the year ended June 30, 2024, lease expense consisted of the following:

Operating lease expense	$ 809,762
Short-term lease expense	29,438
Total lease expense	$ 839,200

At June 30, 2024, the weighted average discount rate used to calculate the unamortized operating lease liabilities was 4.27%. At June 30, 2024, the weighted average remaining lease term was 2.54 years.

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30, 2024:

Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 848,720
Operating lease right-of-use assets obtained in exchange for lease liabilities	$ 547,818

As of June 30, 2024, the Organization's scheduled future minimum annual lease payments, net of present value discount, consists of the following:

Years ending June 30:		
2025	$	224,264
2026		227,141
2027		128,586
Total undiscounted lease payments		579,991
Less present value discount		(30,622)
Total operating lease liabilities		549,369
Less current portion of lease liabilities		(206,037)
Long-term operating lease liabilities	$	343,332

6. Line of Credit

The Organization had a line of credit agreement with a bank for a maximum amount of $3,000,000. The line of credit bore interest at a variable interest rate of Prime Rate plus 0.25% with a minimum rate of 3.5% per annum, was secured by a first deed of trust on real property and other assets specified within the line of credit agreement and was subject to certain covenants and restrictions. The line of credit matured in May 2024 and was not renewed.

The Organization has a standby letter of credit agreement with a bank for a maximum amount of $400,000 related to a workers compensation insurance policy. The standby letter of credit bears interest at a variable rate of Prime Rate plus 0.25% with a minimum rate of 8.75% per annum. The standby letter of credit matures in February 2025. Provided that the insurance company beneficiary has not drawn on the full amount of the letter of credit prior to February 2025, the letter of credit is subject to automatic annual renewals through February 2029 unless the bank provides 60-day advance written notice to the beneficiary. There was no outstanding amount on the letter of credit as of June 30, 2024.

7. Employee Retention Credit

The Employee Retention Credit (ERC), which was included as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan Act (ARPA), incentivized employers severely impacted by the COVID-19 pandemic to retain their employees when they might otherwise find it difficult to do so. The fully refundable tax credit is allowed against the employer's share of employment taxes for qualified wages paid after March 12, 2020 and before October 1, 2021. Credits in excess of the tax amounts paid by an employer are treated as overpayments and are refundable to the employer. The ERC is calculated as a percentage of qualified wages (as defined in the CARES Act, as amended) paid by an eligible employer. In 2021 and 2020, the Organization believes that it qualified for the ERC due to a suspension in operations during the first and second calendar quarters of 2021 and the second, third, and fourth calendar quarters of 2020 due to orders from governmental authorities limiting certain of its activities due to COVID-19. The Organization averaged more than 100 full-time employees (FTEs), but less than 500 FTEs during 2019, therefore, it was considered a large employer during 2020 and a small employer during 2021. As a large employer in 2020, only wages paid to employees not providing services were eligible for the ERC while, as a small employer in 2021, all of the Organization's otherwise qualified wages were eligible for the ERC. For 2020, the ERC equaled 50% of an employee's qualified wages up to $10,000 per employee per calendar quarter with a maximum annual credit for each employee of $5,000. For 2021, the ERC equaled 70% of an employee's qualified wages up to $10,000 per employee per calendar quarter with a maximum annual credit of $21,000 for each employee.

In October 2022, the Organization applied for the ERC for an aggregate amount of approximately $5.45 million by amending its previously filed forms 941. The Organization accounts for this government grant in accordance with ASC 958-605, *Not-for-Profit Entities-Revenue Recognitio*n. Under this guidance, contributions (including government grants) are recognized when the underlying conditions on which they depend are substantially met. Given the subjective nature of ERC eligibility under the suspension of operations test, the Organization is uncertain as to whether the underlying condition related to eligibility was substantially met and therefore will defer recognition of ERC as grant income until the earlier of when the Organization's determines that this condition is substantially met or when the statute of limitations expires. In July 2023, the Organization received ERC proceeds, including accrued interest, of approximately $6 million, which is included within deferred income, ERC on the accompanying consolidated statement of financial position.

8. Net Assets With Donor Restrictions

During the year ended June 30, 2024, changes in net assets with donor restrictions were as follows:

	June 30, 2023	Additions	Released	June 30, 2024
Program restricted:				
Research institute	$ 536,902	$ 10,000	$ (238,392)	$ 308,510
SM community-based services	311,939	158,726	(170,004)	300,661
SF community-based services	447,575	192,946	(257,550)	382,971
Medical services	63,905	105,000	(56,206)	112,699
	1,360,321	466,672	(722,152)	1,104,841
Time restricted pledges	741,535	18,900	(200,000)	560,435
Donor restricted endowments	1,501,816	88,534	-	1,590,350
Total	$ 3,603,672	$ 574,106	$ (922,152)	$ 3,255,626

9. Endowment Funds

The Organization's donor restricted endowments consist of a general endowment and a beneficial interest in a perpetual trust. All investment income earned on the donor restricted endowment fund is treated as income with donor restrictions until appropriated by the Organization's Board of Directors.

The State of California enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) effective January 1, 2009, the provisions of which apply to endowment funds existing on or established after that date. Net asset classifications of donor-restricted endowment funds subject to an enacted version of UPMIFA have been accounted for appropriately in the accompanying consolidated financial statements. Additional disclosures about the Organization's endowment funds subject to UPMIFA have been included for the year ended June 30, 2024.

Interpretation of Relevant Law

The Organization's Board has interpreted the State of California's UPMIFA as requiring the preservation of the fair value of the original gift as of the date of the gift date of the donor-restricted endowment fund, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions held in perpetuity (1) the original value of gifts donated to the donor-restricted endowment, (2) the original value of subsequent gifts donated to the donor-restricted endowment, and (3) additions to the donor-restricted endowment in accordance with donor directions. The remaining portion of the donor-restricted endowment is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

Spending Policy

In accordance with the State of California's UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the endowment funds;

(2) The purposes of the endowment funds;

(3) General economic conditions;

(4) The possible effect of inflation and deflation;

(5) The expected total return from income and the appreciation of investments;

(6) Other resources of the Organization; and

(7) The investment policies of the Organization.

Investment Policy, Strategies and Objectives

The Organization has adopted investment and spending policies for the endowment assets in order to preserve and enhance the value of the corpus in perpetuity, provide a relatively steady stream of earnings, and to balance the current and future funding needs of the Organization.

The Organization seeks to minimize risks through conservative investing. General endowment funds were held as restricted cash as of June 30, 2024 as the fund was not large enough to invest in securities subject to market fluctuations.

Funds with Deficiencies

From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. No deficiencies were noted at June 30, 2024.

During the year ended June 30, 2024, changes in donor restricted endowments were as follows:

	Beneficial Interest in Perpetual Trust	General Endowment	Total
Balance, June 30, 2023	$ 1,368,816	$ 133,000	$ 1,501,816
Change in beneficial interest in perpetual trust	88,534	-	88,534
Balance, June 30, 2024	$ 1,457,350	$ 133,000	$ 1,590,350

At June 30, 2024, the general endowment fund consisted of amounts to be maintained in perpetuity.

10. Commitments and Contingencies

Commitments

Obligations Under Service Contracts

At June 30, 2024, the Organization has contractual obligations with certain vendors relating to software services which expire at various dates through March 2026.

At June 30, 2024, the Organization's scheduled future minimum annual commitments under these contracts consists of the following:

Years ending June 30:	
2025	$ 266,575
2026	134,991
Total	$ 401,566

Contingencies

Government Contracts

The Organization's grants and contracts are subject to inspection and audit by the applicable governmental funding agencies. The potential exists for disallowance of previously funded program costs. The ultimate liability, if any, which may result from these governmental audits, cannot be reasonably estimated, and, accordingly, the Organization has not provided for any disallowance of program costs in the accompanying consolidated financial statements.

Legal

The Organization is a party to certain claims in the normal course of operations. While the result of these proceedings cannot be predicted with certainty, management believes that the final outcome of these matters will not have a material adverse effect on the consolidated financial statements.

11. Defined Benefit Pension Plan

The Organization has a defined benefit pension plan that was frozen in anticipation of termination of the Plan. The curtailment had been reflected as of the August 1, 2005 measurement date. Therefore, benefits ceased to accrue for any participant after August 1, 2005, and final average earnings will not include any compensation earned by any participant after August 1, 2005.

The Organization recognizes the overfunded or underfunded status of its defined benefit pension plan as an asset or liability in its statement of financial position and recognizes changes in that funded status in the year in which the changes occur through changes in net assets without donor restrictions.

The following table sets forth information about the Organization's defined benefit plan as of and for the year ended June 30, 2024:

	Plan Assets	Pension Obligation	Net Pension Obligation	Pension-Related Changes
Balance, June 30, 2023	$ 7,778,138	$ 9,607,699	$ (1,829,561)	$ -
Interest cost	-	468,524	(468,524)	(468,524)
Actual return on net assets	667,270	-	667,270	667,270
Benefits paid	(488,306)	(488,306)	-	-
Actuarial gain	-	(233,163)	233,163	233,163
Employer contributions	1,327,922	-	1,327,922	-
Balance, June 30, 2024	$ 9,285,024	$ 9,354,754	$ (69,730)	$ 431,909

The changes in pension plan assets in the preceding table were measured at fair value.

At June 30, 2024, all plan assets are considered Level 1 based on quoted market prices and consist of the following:

Fixed income	$ 8,360,275
Large US equity	267,612
International equity	111,794
Other	545,343
Total	$ 9,285,024

The following assumptions were used in accounting for the pension plan:

Weighted-average assumptions used to determine pension benefit obligations at June 30, 2024:

Discount rate	5.40%
Rate of compensation increase	None

Weighted-average assumptions used to determine net periodic pension benefit cost for the year ended June 30, 2024:

Discount rate	5.40%
Expected long-term return on plan assets	6.75%
Rate of compensation increase	None

The expected rate of return on plan assets is determined by those assets' historical long-term investment performance, current asset allocation, and estimates of future long-term returns.

During the year ended June 30, 2024, the mortality improvement assumption was updated to reflect historical U.S. mortality data and the discount rate increased. The preceding changes in assumptions increased the Organization's benefit obligations by $340,754. This increase was partially offset by other actuarial losses of $107,591, resulting in a total net actuarial gain of $233,163 for the year ended June 30, 2024.

At June 30, 2024, future benefits payments based on expected future service costs determined using current assumptions are expected to be paid as follows over the next ten fiscal years:

Years ending June 30:	
2025	$ 720,000
2026	650,000
2027	640,000
2028	640,000
2029	630,000
2030 through 2034	3,390,000
Total	$ 6,670,000

Plan contributions are made, and the actuarial present value of accumulated plan benefits are reported based on certain assumptions pertaining to interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could occur; however, such changes are not expected to be material to the accompanying consolidated financial statements.

Effective October 31, 2024, the defined benefit pension plan was terminated. The Organization is currently in process of completing the necessary filings with various government agencies and anticipates making final distributions to plan participants during the year ending June 30, 2025.

12. 403(b) Retirement Plan

The Organization sponsors an employee retirement benefit plan known as the Edgewood 403(b) Plan. All employees who fall under the eligible job classifications, attained the age of 18, and have completed one year of service are eligible to participate in the plan. The Organization provides matching contributions not to exceed 4% of the eligible employee's compensation. During the year ended June 30, 2024, the Organization made employer matching contributions of $373,983, of which $85,091 were accrued for as of June 30, 2024.