Edgewood Center for Children and Families

Consolidated Financial Statements

June 30, 2025

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 (collectively, the Organization), which comprise the consolidated statement of financial position as of June 30, 2025, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 2024 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2025. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2024, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 9, 2026, 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 9, 2026

Edgewood Center for Children and Families

Consolidated Statement of Financial Position
June 30, 2025 (with comparative financial information for June 30, 2024)

	2025	2024
Assets		
Current Assets		
Cash and cash equivalents	$ 1,646,392	$ 31,691,739
Investments, current	4,984,902	-
Accounts receivable, net	3,424,224	1,674,247
Cost reimbursement grants receivable	2,225,311	3,417,535
Pledges receivable, current	727,309	325,000
Prepaid expenses and other current assets	511,569	832,303
Total current assets	13,519,707	37,940,824
Property and Equipment, Net	1,498,966	1,563,377
Other Assets		
Investments, long-term	21,424,559	-
Cash restricted for endowment	133,000	133,000
Pledges receivable, net of present value discount and current portion	272,487	380,512
Beneficial interest in perpetual trust	1,522,073	1,457,350
Operating lease right-of-use assets	802,894	537,899
Total other assets	24,155,013	2,508,761
Total assets	$ 39,173,686	$ 42,012,962
Liabilities and Net Assets		
Current Liabilities		
Accounts payable and accrued liabilities	$ 3,508,176	$ 3,512,442
Refunds payable and overpayments	42,028	94,501
Contract advances	1,432,599	2,112,591
Deferred ERC income, current	5,995,729	-
Operating lease liabilities, current	446,319	206,037
Total current liabilities	11,424,851	5,925,571
Long-Term Liabilities		
Operating lease liabilities, net of current portion	422,254	343,332
Deferred ERC income, net of current portion	-	5,995,729
Defined benefit plan, unfunded deficit	-	69,730
Total long-term liabilities	422,254	6,408,791
Total liabilities	11,847,105	12,334,362
Net Assets		
Without donor restrictions	23,004,592	26,422,974
With donor restrictions	4,321,989	3,255,626
Total net assets	27,326,581	29,678,600
Total liabilities and net assets	$ 39,173,686	$ 42,012,962

See notes to consolidated financial statements

Edgewood Center for Children and Families

Consolidated Statement of Activities
Year ended June 30, 2025 (with summarized comparative financial information for the year ended June 30, 2024)

	2025			2024
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenue and Support				
Cost reimbursement grants	$ 14,836,328	$ -	$ 14,836,328	$ 19,647,757
Fee-for-service	7,869,144	-	7,869,144	2,872,173
Private pay	5,182,643	-	5,182,643	5,199,357
Contributions	638,346	2,107,499	2,745,845	1,438,674
Special event income, net of costs of direct benefit to donors of $197,151 and $172,282 in 2025 and 2024, respectively	325,103	-	325,103	264,646
Net assets released from restrictions	1,105,859	(1,105,859)	-	-
Total revenue and support	29,957,423	1,001,640	30,959,063	29,422,607
Expenses				
Program services	28,275,234	-	28,275,234	26,016,138
Support services	5,758,105	-	5,758,105	5,252,207
Total expenses	34,033,339	-	34,033,339	31,268,345
Change in net assets from operations	(4,075,916)	1,001,640	(3,074,276)	(1,845,738)
Other Income (Expense)				
Pension-related changes	-	-	-	431,909
Change in beneficial interest in perpetual trust	-	64,723	64,723	88,534
Investment income, net	1,409,461	-	1,409,461	-
Interest income	143,928	-	143,928	959,356
Income from investment in commercial real estate, net	-	-	-	810,195
Other income	88,936	-	88,936	2,196
Other expense	(984,791)	-	(984,791)	(274,394)
Total other income, net	657,534	64,723	722,257	2,017,796
Change in net assets before noncontrolling interest activity	(3,418,382)	1,066,363	(2,352,019)	172,058
Noncontrolling Interest Activity				
Distribution to noncontrolling interest	-	-	-	(659)
Change in net assets	(3,418,382)	1,066,363	(2,352,019)	171,399
Net Assets, Beginning	26,422,974	3,255,626	29,678,600	29,507,201
Net Assets, Ending	$ 23,004,592	$ 4,321,989	$ 27,326,581	$ 29,678,600

See notes to consolidated financial statements

Edgewood Center for Children and Families

Consolidated Statement of Functional Expenses

Year ended June 30, 2025 (with summarized comparative financial information for the year ended June 30, 2024)

	2025						2024
		Support Services					
	Program Services	Administrative Services	Development	Special Events	Total Support Services	Total	Total
Salaries	$ 18,473,610	$ 2,480,953	$ 884,562	$ -	$ 3,365,515	$ 21,839,125	$19,742,328
Payroll taxes and benefits	4,062,905	572,668	170,524	-	743,192	4,806,097	4,187,224
Total personnel costs	22,536,515	3,053,621	1,055,086	-	4,108,707	26,645,222	23,929,552
Professional fees	856,704	1,496,231	333,570	197,151	2,026,952	2,883,656	2,071,722
Occupancy costs	1,645,744	51,237	41,236	-	92,473	1,738,217	1,903,068
Communications and IT	1,575,121	108,954	48,367	-	157,321	1,732,442	1,519,975
Children's supplies	595,726	-	137,686	-	137,686	733,412	692,448
Business insurance	449,230	37,447	12,848	-	50,295	499,525	489,884
Purchased services	226,662	34,022	31,503	-	65,525	292,187	279,663
Depreciation	204,647	21,855	4,371	-	26,226	230,873	270,611
Credit loss expense	-	136,642	-	-	136,642	136,642	292,235
Supplies	96,429	6,366	8,266	-	14,632	111,061	84,980
Other	88,456	77,926	45,662	-	123,588	212,044	180,883
	28,275,234	5,024,301	1,718,595	197,151	6,940,047	35,215,281	31,715,021
Less expenses included with revenues and other expense on the statement of activities:							
Costs of direct benefit to donors	-	-	-	(197,151)	(197,151)	(197,151)	(172,282)
Nonoperational expenses	-	(984,791)	-	-	(984,791)	(984,791)	(274,394)
	$ 28,275,234	$ 4,039,510	$ 1,718,595	$ -	$ 5,758,105	$ 34,033,339	$ 31,268,345

See notes to consolidated financial statements

Edgewood Center for Children and Families

Consolidated Statement of Cash Flows
Year ended June 30, 2025 (with comparative financial information for the year ended June 30, 2024)

	2025	2024
Cash Flows From Operating Activities		
Change in net assets	$ (2,352,019)	$172,058
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation of property and equipment	230,873	270,611
Noncash lease expense	651,948	790,209
Change in present value discount on long-term pledges	(16,993)	(23,647)
Change in beneficial interest in perpetual trust	(64,723)	(88,534)
Net unrealized gain on investments	(439,720)	-
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,749,977)	1,919,922
Cost reimbursement grants receivable	1,192,224	(1,680,139)
Pledges receivable	(277,291)	375,000
Prepaid expenses and deposits	320,734	(189,340)
Accounts payable and accrued liabilities	(4,266)	600,330
Refunds payable and overpayments	(52,473)	(320,280)
Contract advances	(679,992)	(585,334)
Deferred ERC income	-	5,995,729
Defined benefit plan, unfunded deficit	(69,730)	(1,759,831)
Operating lease liabilities	(597,739)	(829,167)
Net cash flows from operating activities	(3,909,144)	4,647,587
Cash Flows From Investing Activities		
Purchases of investments	(25,969,741)	-
Purchases of property and equipment	(166,462)	(284,314)
Proceeds from sale of assets held for sale	-	18,138,183
Net cash flows from investing activities	(26,136,203)	17,853,869
Cash Flows From Financing Activities		
Distribution to noncontrolling interest	-	(659)
Net cash flows from financing activities	-	(659)
Net change in cash, cash equivalents, and restricted cash	(30,045,347)	22,500,797
Cash, Cash Equivalents, and Restricted Cash, Beginning	31,824,739	9,323,942
Cash, Cash Equivalents, and Restricted Cash, Ending	$ 1,779,392	$ 31,824,739
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	$ 1,646,392	$ 31,691,739
Cash restricted for endowment	133,000	133,000
	$ 1,779,392	$ 31,824,739

See notes to consolidated financial statements

1. Nature of Activities and Summary of Significant Accounting Policies

Description of Organization and Nature of Activities

Edgewood Center for Children and Families (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.

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 were provided to over 4,000 children, youth, and their caregivers during our 2025 fiscal 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, Edgewood recently launched a 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.

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.

The following is a summary of significant accounting policies:

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 (collectively, the Organization). 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. Cash and cash equivalents held outside investment brokerage accounts are presented as cash and cash equivalents on the accompanying consolidated statement of financial position, while cash and cash equivalents held within investment brokerage accounts are presented as investments. At June 30, 2025, restricted cash relates to amounts held for endowment.

Investments

Investments are reported at fair value on the accompanying consolidated statement of financial position. Fair value is determined based on quoted market prices. Realized and unrealized gains and losses and interest expense are included in the accompanying consolidated statement of activities as part of investment income and is presented net of investment management fees. Investments expected to be available for liquidation within one year are classified as current while investments intended to be held beyond one year are classified as long-term.

Accounts Receivable

Accounts receivable includes 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 receivable is recorded at the invoiced amounts and is 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 for credit losses 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, 2025, changes in the allowance for credit losses on accounts receivable consisted of the following:

June 30, 2024	Credit Loss Expense	Bad Debt Write-Offs	June 30, 2025
$ 101,443	$ 145,602	$ (136,004)	$ 111,041

Cost Reimbursement 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, 2025, the Organization had long-term pledges receivable of $300,000, net of unamortized present value discount of $27,513, which are scheduled to be collected during the year ended June 30, 2027. 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% to 3.87%.

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, 2025, management believes all cost reimbursement 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.

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 lease recognition requirements for all leases with an original term of 12 months or less, for which the Organization is not reasonably certain to exercise a renewal option or purchase the asset at the end of the lease (short-term leases). Short-term leases will continue to be expensed on a straight-line basis over the lease term.
- The Organization elected not to apply lease 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 its long-lived assets (including property and equipment and operating lease right-of-use assets) for impairment whenever events or changes in circumstances indicate that 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, 2025, 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 Cost Reimbursement 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, 2025, the Organization had $2,711,762 in uncollected conditional grants for which conditions have not been met. At June 30, 2025, the Organization had $1,432,599 in contract advances which represents amounts received for conditional government cost reimbursement 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. There were no contributions of nonfinancial assets during the year ended June 30, 2025.

Private Pay and Fee-for-Service

Revenue recognition for private pay and fee-for-service revenue is evaluated through the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price in the contract to the performance obligations; and (v) recognize revenue when or as performance obligations are satisfied. The Organization utilizes the portfolio approach practical expedient to account for private pay and fee-for-service revenue as the contracts 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, 2025.

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.

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. Significant estimates include the allowance for credit losses, functional allocation of expenses, depreciation expense, and the fair value of valuation of investments and beneficial interest in perpetual trust.

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 beneficial interest in perpetual trust, interest income, investment income or loss, gain or loss from disposal 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, 2024, from which the summarized information was derived.

Recently Issued Accounting Standards

In July 2025, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2025-05, *Financial Instruments—Credit Losses (Topic 326):* Measurement of Credit Losses for Accounts Receivable and Contract Assets for Private Companies and Certain Not-for-Profit Entities (PCC). ASU No. 2025-05 provides a practical expedient for all entities to assume current conditions remain unchanged over the life of the asset and allows entities other than public business entities to consider subsequent collection activity when estimating expected credit losses for current accounts receivable and current contract assets. These changes are intended to reduce complexity and cost associated with applying the current expected credit loss (CECL) model to these types of financial instruments.

ASU No. 2025-05 is effective for annual periods beginning after December 15, 2025, and interim periods within those annual periods. Early adoption is permitted. The Organization is currently evaluating the impact of ASU No. 2025-05 on its consolidated financial statements and related disclosures.

Subsequent Events

The Organization has evaluated subsequent events through January 9, 2026, 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 purposes of analyzing resources available to meet general expenditures within one year, the Organization considers all expenditures related to program services and supporting activities to be general operating expenditures. The Organization maintains adequate cash reserves and monitors operating cash flows as part of its liquidity management strategy. In addition, excess funds are invested to generate passive income that supports program services and supporting activities. While certain investments are intended to be held on a long-term basis, long-term investments are not subject to donor restrictions or board designations and therefore may be available to meet general expenditures if necessary.

At June 30, 2025, financial assets available to fund general expenditures within one year were as follows:

Cash and cash equivalents	$ 1,646,392
Investments, current and long-term	26,409,461
Accounts receivable, net	3,424,224
Cost reimbursement grants receivable	2,225,311
Pledges receivable, current	727,309
Financial assets available to meet general expenditures within one year	$ 34,432,697

3. Investments and Fair Value Measurements

At June 30, 2025, the Organization's investments measured at fair value on a recurring basis are as follows:

	Fair Value Level		
	Level 1	**Level 2**	**Total**
Cash and cash equivalents	$ 5,422,011	$ -	$ 5,422,011
Equities:			
Close end funds and exchange trade products	6,385,314	-	6,385,314
Mutual funds	4,246,462	-	4,246,462
Fixed income:			
Mutual funds	7,216,649	-	7,216,649
Corporate bonds and notes	-	2,788,960	2,788,960
Asset backed securities	-	350,065	350,065
Total investments	23,270,436	3,139,025	26,409,461
Less current investments:			
Cash and cash equivalents	(4,984,902)	-	(4,984,902)
Long-term investments	$ 18,285,534	$ 3,139,025	$ 21,424,559

4. Property and Equipment

At June 30, 2025, 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	(18,764,046)
Total depreciable property and equipment, net	1,030,245
Construction in progress	361,435
Land	107,286
Total property and equipment, net	$ 1,498,966

5. Leases

During the year ended June 30, 2025, the Organization leased certain real estate for office space and office equipment under operating lease agreements expiring at various dates through September 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, 2025, lease expense consisted of the following:

Operating lease expense	$	703,095
Short-term lease expense		25,803
Total lease expense	$	728,898

At June 30, 2025, the weighted average discount rate used to calculate the unamortized operating lease liabilities was 4.49%. At June 30, 2025, the weighted average remaining lease term was 1.98 years.

The following table includes supplemental cash flow and noncash information related to the leases for the year ended June 30, 2025:

Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$	648,886
Operating lease right-of-use assets obtained in exchange for lease liabilities	$	916,943

As of June 30, 2025, the Organization's scheduled future minimum annual lease payments, net of present value discount, consists of the following:

Years ending June 30:		
2026	$	474,507
2027		370,290
2028		62,238
Total undiscounted lease payments		907,035
Less present value discount		(38,462)
Total operating lease liabilities		868,573
Less current portion of lease liabilities		(446,319)
Long-term operating lease liabilities	$	422,254

6. 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 Recogniti*on. Under this guidance, contributions (including government grants) are recognized when the underlying conditions on which they depend are substantially met. In July 2023, the Organization received ERC proceeds, including accrued interest, of approximately $6 million, which is included within deferred ERC income on the accompanying consolidated statement of financial position. Given the subjective nature of ERC eligibility under the suspension of operations test, the Organization was uncertain as to whether the underlying condition related to eligibility was substantially met and therefore deferred recognition of ERC as grant income until the statute of limitations expired in October 2025.

7. Net Assets With Donor Restrictions

During the year ended June 30, 2025, changes in net assets with donor restrictions were as follows:

	June 30, 2024	Additions	Released	June 30, 2025
Program restricted:				
Research institute	$ 308,510	$ -	$ (38,893)	$ 269,617
San Mateo community-based services	300,661	712,073	(409,812)	602,922
San Francisco community-based services	382,971	1,340,867	(337,381)	1,386,457
Medical services	112,699	35,000	(119,773)	27,926
	1,104,841	2,087,940	(905,859)	2,286,922
Time restricted pledges	560,435	19,559	(200,000)	379,994
Donor restricted endowments	1,590,350	64,723	-	1,655,073
Total	$ 3,255,626	$ 2,172,222	$ (1,105,859)	$ 4,321,989

8. 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, 2025.

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, 2025 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, 2025.

During the year ended June 30, 2025, changes in donor restricted endowments were as follows:

	Beneficial Interest in Perpetual Trust	General Endowment	Total
Balance, June 30, 2024	$ 1,457,350	$ 133,000	$ 1,590,350
Change in beneficial interest in perpetual trust	64,723	-	64,723
Balance, June 30, 2025	$ 1,522,073	$ 133,000	$ 1,655,073

At June 30, 2025, the general endowment fund consisted of amounts to be maintained in perpetuity.

9. 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, 2025, 70% of private pay and fee-for-service revenue related to one customer and customers covered under one insurance provider. At June 30, 2025, 74% 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.

Cost Reimbursement Grants

During the year ended June 30, 2025, 97% of cost reimbursement grant revenue were related to contracts with the City and County of San Francisco and County of San Mateo. At June 30, 2025, 94% of total cost reimbursement grants receivable were due from the City and County of San Francisco and County of San Mateo.

Contributions

During the year ended June 30, 2025, 56% of contribution revenue related to three donors. At June 30, 2025, 92% of pledges receivable were due from four donors.

Collective Bargaining Agreement

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 is currently scheduled to expire in June 2026.

10. Commitments and Contingencies

Commitments

Obligations Under Service Contracts

The Organization has contractual obligations with certain vendors relating to software services which expire at various dates through March 2028. At June 30, 2025, scheduled future minimum annual commitments under these contracts consists of the following:

Years ending June 30:		
2026	$	174,114
2027		42,205
Total	$	216,319

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 had 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 all participants after August 1, 2005, and final average earnings did not include any compensation earned by any participant after August 1, 2005.

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

Effective October 2024, the defined benefit pension plan was terminated. Subsequently, all pension obligations were satisfied through distributions through May 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, 2025, the Organization made matching contributions of $383,257, of which $16,729 was accrued as of June 30, 2025.

13. Related-Party Transactions

During the year ended June 30, 2025, the Organization received cash contributions from Board members totaling $93,332.

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *(Government Auditing Standards)*, the consolidated financial statements of Edgewood Center for Children and Families and its subsidiaries (the Organization), which comprise the consolidated statement of financial position as of June 30, 2025, 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, and have issued our report thereon dated January 9, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Organization's consolidated financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

San Francisco, California
January 9, 2026