

**Lutheran Social Services of New York, Inc.
and Subsidiaries**

Consolidated Financial Statements

June 30, 2025 and 2024

Independent Auditors' Report

Board of Directors
Lutheran Social Services of New York, Inc.
and Subsidiaries

Opinion

We have audited the accompanying consolidated financial statements of Lutheran Social Services of New York, Inc. and Subsidiaries, which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities and changes in net assets (deficit), functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lutheran Social Services of New York, Inc. and Subsidiaries as of June 30, 2025 and 2024, and the consolidated changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of Lutheran Social Services of New York, Inc. and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Net Assets Deficit

At June 30, 2025 and 2024, Lutheran Social Services of New York, Inc. and Subsidiaries, has a net deficit of \$12,391,559 and \$10,058,192 which has resulted from significant losses from operations. Management's plan in regard to this matter is described in Note 13. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

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

Responsibilities of Management for the Consolidated Financial Statements (continued)

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 Lutheran Social Services of New York, Inc. and Subsidiaries' 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Lutheran Social Services of New York, Inc. and Subsidiaries' 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 Lutheran Social Services of New York, Inc. and Subsidiaries' 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 Consolidating Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of financial position and activities are presented for the purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

PKF O'Connor Davies, LLP

June 11, 2026

Lutheran Social Services of New York, Inc. and Subsidiaries

Consolidated Statements of Financial Position

	June 30,	
	2025	2024
ASSETS		
Current Assets		
Cash	\$ 1,368,305	\$ 558,385
Accounts receivable, net	27,264,093	27,461,907
Prepaid expenses and other current assets	221,760	321,066
Total Current Assets	<u>28,854,158</u>	<u>28,341,358</u>
Deposits Held in Trust		
Tenant security deposits	<u>265,436</u>	<u>167,128</u>
Right-of-use assets	<u>3,131,444</u>	<u>4,554,817</u>
Property and equipment, net	<u>26,384,343</u>	<u>27,424,137</u>
Other Assets		
Cash surrender value of annuity contract	1,314,018	1,269,015
Restricted funds	1,381,517	1,345,542
Total Other Assets	<u>2,695,535</u>	<u>2,614,557</u>
	<u>\$ 61,330,916</u>	<u>\$ 63,101,997</u>
LIABILITIES AND NET ASSETS (DEFICIT)		
Current Liabilities		
Accounts payable and accrued expenses	\$ 10,073,789	\$ 8,210,138
Accrued compensation	1,846,210	1,806,473
Advances from government agencies	9,929,527	9,025,098
Deferred revenue	672,439	2,017,839
Loans, notes payable and line of credit, current maturities	1,405,495	1,245,572
Operating lease liabilities, current portion	1,045,285	1,395,342
Due to government agencies, current portion	3,955,870	5,983,761
Total Current Liabilities	<u>28,928,615</u>	<u>29,684,223</u>
Long-term Liabilities		
Accrued interest payable	1,660,825	1,526,633
Loans, notes payable and line of credit, net of current maturities	34,016,524	34,608,359
Operating lease liabilities, net of current portion	2,121,748	3,195,064
Tenant security deposits liability	99,007	102,746
Due to government agencies, net of current portion	6,895,756	4,043,164
Total Long-Term Liabilities	<u>44,793,860</u>	<u>43,475,966</u>
Total Liabilities	<u>73,722,475</u>	<u>73,160,189</u>
Net Assets (Deficit)		
Without donor restrictions	(10,404,954)	(8,233,605)
Non-controlling interest	<u>(1,986,605)</u>	<u>(1,824,587)</u>
Total Net Assets (Deficit)	<u>(12,391,559)</u>	<u>(10,058,192)</u>
	<u>\$ 61,330,916</u>	<u>\$ 63,101,997</u>

See notes to the consolidated financial statements

Lutheran Social Services of New York, Inc. and Subsidiaries

Consolidated Statements of Activities and Changes in Net Assets (Deficit)

	Year Ended June 30,	
	2025	2024
SUPPORT AND REVENUE		
Government grants and contracts	\$ 67,945,284	\$ 59,655,291
Medical assurance and life care clinic fees	1,029,961	892,037
Tuition fees	-	839,913
Parent fees	46,943	46,606
Contributions	690,777	532,233
Rental revenue	2,706,833	2,607,844
Donated services and supplies	-	33,595
Other revenue	349,613	1,105,047
Prior year rate adjustments	-	(2,051,013)
Total Support and Revenue	<u>72,769,411</u>	<u>63,661,553</u>
EXPENSES		
Program Services		
Education services	20,829,329	21,769,437
Foster care and children's services	9,965,361	9,364,877
Shelter services	12,251,737	7,454,660
Residential services	10,298,631	9,691,047
Community services and other programs	12,953,732	12,506,530
Total Program Services	<u>66,298,790</u>	<u>60,786,551</u>
Support Services		
Management and general	8,719,474	8,082,966
Fundraising	129,517	300,009
Total Support Services	<u>8,848,991</u>	<u>8,382,975</u>
Total Expenses	<u>75,147,781</u>	<u>69,169,526</u>
Change in Net Assets (Deficit) Before Other Changes	<u>(2,378,370)</u>	<u>(5,507,973)</u>
OTHER CHANGES		
Change in cash surrender value of annuity contract	<u>45,003</u>	<u>43,755</u>
Change in Net Assets (Deficit)	(2,333,367)	(5,464,218)
CHANGES IN NET ASSETS (DEFICIT)		
Beginning of year	<u>(10,058,192)</u>	<u>(4,593,974)</u>
End of year	<u>\$ (12,391,559)</u>	<u>\$ (10,058,192)</u>

See notes to the consolidated financial statements

Lutheran Social Services of New York, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended June 30, 2025

	Program Services						Support Services			
	Education Services	Foster Care and Children's Services	Shelter Services	Residential Services	Community Services and Other Programs	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Salaries	\$ 5,495,211	\$ 4,565,043	\$ 4,558,075	\$ 4,868,082	\$ 8,184,852	\$ 27,671,263	\$ 2,155,444	\$ 47,065	\$ 2,202,509	\$ 29,873,772
Fringes and payroll taxes	1,568,332	1,212,281	875,946	1,544,607	1,810,765	7,011,931	866,038	10,965	877,003	7,888,934
Client expenses	12,690,511	2,265,720	1,014,569	441,461	761,297	17,173,558	14,963	-	14,963	17,188,521
Consumable supplies	95,131	12,544	125,400	188,780	147,120	568,975	23,963	-	23,963	592,938
Consultants and contractual services	232,212	544,073	545,872	264,190	395,528	1,981,875	1,124,236	35,408	1,159,644	3,141,519
Depreciation and amortization	-	-	-	-	-	-	1,039,794	-	1,039,794	1,039,794
Equipment, rental and maintenance	171,217	75,723	206,873	614,019	428,942	1,496,774	156,346	-	156,346	1,653,120
Insurance	60,351	86,567	314,108	419,332	95,951	976,309	1,111,746	170	1,111,916	2,088,225
Interest and bank charges	-	-	-	-	-	-	1,027,287	-	1,027,287	1,027,287
Occupancy costs	321,318	914,580	4,469,713	1,701,499	670,123	8,077,233	356,764	-	356,764	8,433,997
Other expenses	74,374	91,399	24,874	89,796	275,193	555,636	142,299	6,008	148,307	703,943
Provision for bad debt	-	-	-	-	-	-	375,376	-	375,376	375,376
Travel, conferences and meetings	54,509	62,951	49,854	17,599	61,093	246,006	160,824	7,130	167,954	413,960
Telephone and software	64,663	134,480	66,453	148,472	122,868	536,936	159,580	21	159,601	696,537
Website and outreach	1,500	-	-	794	-	2,294	2,407	22,750	25,157	27,451
Total Expenses Reported by Function on the Consolidated Statement of Activities	\$ 20,829,329	\$ 9,965,361	\$ 12,251,737	\$ 10,298,631	\$ 12,953,732	\$ 66,298,790	\$ 8,719,474	\$ 129,517	\$ 8,848,991	\$ 75,147,781

See notes to the consolidated financial statements

Lutheran Social Services of New York, Inc. and Subsidiaries

Consolidated Statement of Functional Expenses Year Ended June 30, 2024

	Program Services						Support Services			
	Education Services	Foster Care and Children's Services	Shelter Services	Residential Services	Community Services and Other Programs	Total Program Services	Management and General	Fundraising	Total Support Services	Total Expenses
Salaries	\$ 6,450,784	\$ 3,901,991	\$ 2,313,278	\$ 4,431,883	\$ 7,278,638	\$ 24,376,574	\$ 2,069,588	\$ 102,114	\$ 2,171,702	\$ 26,548,276
Fringes and payroll taxes	1,414,353	844,613	500,725	1,029,732	1,586,218	5,375,641	716,205	34,041	750,246	6,125,887
Client expenses	11,622,527	2,205,762	888,475	422,828	1,472,990	16,612,582	17,752	1,440	19,192	16,631,774
Consumable supplies	187,038	38,133	137,176	215,363	176,592	754,302	19,679	-	19,679	773,981
Consultants and contractual services	748,235	932,275	535,727	502,094	508,333	3,226,664	1,324,603	81,652	1,406,255	4,632,919
Depreciation and amortization	-	-	-	-	-	-	1,029,897	-	1,029,897	1,029,897
Equipment, rental and maintenance	314,524	284,218	279,634	596,569	267,616	1,742,561	160,005	-	160,005	1,902,566
Insurance	226,991	140,561	87,871	653,010	278,302	1,386,735	177,043	3,891	180,934	1,567,669
Interest and bank charges	58	-	-	-	-	58	851,855	-	851,855	851,913
Occupancy costs	570,595	809,905	2,674,877	1,621,646	596,219	6,273,242	351,162	-	351,162	6,624,404
Other expenses	73,123	81,067	7,015	40,953	87,376	289,534	630,429	11,784	642,213	931,747
Provision for bad debt	-	-	-	-	-	-	424,281	-	424,281	424,281
Travel, conferences and meetings	63,103	34,002	7,638	47,593	126,716	279,052	175,873	23,645	199,518	478,570
Telephone and software	96,506	91,434	22,244	129,323	127,530	467,037	133,342	492	133,834	600,871
Website and outreach	1,600	916	-	53	-	2,569	1,252	40,950	42,202	44,771
Total Expenses Reported by Function on the Consolidated Statement of Activities	\$ 21,769,437	\$ 9,364,877	\$ 7,454,660	\$ 9,691,047	\$ 12,506,530	\$ 60,786,551	\$ 8,082,966	\$ 300,009	\$ 8,382,975	\$ 69,169,526

See notes to the consolidated financial statements

Lutheran Social Services of New York, Inc. and Subsidiaries

Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets (deficit)	\$ (2,333,367)	\$ (5,464,218)
Adjustments to reconcile change in net assets (deficit) to net cash from operating activities		
Change in cash surrender value of annuity contract	(45,003)	(43,755)
Depreciation and amortization	1,039,794	1,029,897
Amortization of debt issuance costs	9,379	9,379
Amortization of right-of-use assets	1,423,373	1,844,580
Provision for bad debt	375,376	424,281
Prior year rate adjustments	-	2,051,013
Changes in operating assets and liabilities		
Accounts receivable	(177,562)	(10,259,449)
Prepaid expenses and other current assets	99,306	(71,593)
Accounts payable and accrued expenses	1,863,651	4,320,688
Accrued compensation	39,737	(143,646)
Advances from government agencies	904,429	6,711,026
Deposits held in trust	(98,308)	(78,797)
Deferred revenue	(1,345,400)	1,634,488
Accrued interest payable	134,192	133,847
Operating lease liabilities	(1,423,373)	(1,810,341)
Tenant security deposits liability	(3,739)	14,415
Due to government agencies	824,701	(935,809)
Net Cash from Operating Activities	<u>1,287,186</u>	<u>(633,994)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	<u>-</u>	<u>(45,624)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings or line of credit	-	1,000,000
Principal payments on lines of credit	-	(506,731)
Principal payments on notes payable	(441,291)	(509,130)
Net Cash from Financing Activities	<u>(441,291)</u>	<u>(15,861)</u>
Net Change in Cash and Restricted Cash	845,895	(695,479)
CASH AND RESTRICTED CASH		
Beginning of year	<u>1,903,927</u>	<u>2,599,406</u>
End of year	<u>\$ 2,749,822</u>	<u>\$ 1,903,927</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	<u>\$ 887,582</u>	<u>\$ 670,753</u>
NON-CASH INVESTING ACTIVITIES		
Right-of-use assets recognized in exchange for new operating leases	<u>\$ -</u>	<u>\$ 5,237,144</u>

See notes to the consolidated financial statements

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

1. Description of Organization and Tax Status

Lutheran Social Services of New York, Inc. ("LSSNY") was formed to bring the gospel and the ministrations of Christian love and charity to those who come within or in contact with its sphere of service; to establish and operate social services and to provide assistance in identifying needs and resources, and setting of goals and sorting out priorities, for indigent individuals and persons in need of humanitarian assistance, including children, young people, families, the elderly, persons with special needs, immigrants and refugees, all of a charitable nature; and to afford services, in particular, administrative services, and to provide assistance, including the solicitation of funds for, and the making of gifts, grants, contributions or otherwise to other domestic and foreign corporations, funds and foundations that are organized and operated exclusively for charitable purposes. LSSNY is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (the "Code") and, accordingly, is exempt from federal income taxes.

The accompanying consolidated financial statements include LSSNY and the affiliated organizations listed below. All material intercompany balances and transactions have been eliminated. LSSNY is affiliated through common board control and ownership (collectively, the "Organization") of the following entities:

- Lutheran Social Services of Metropolitan New York, Inc. ("LSSMNY") is a not-for-profit social services agency that, among other things:
 - provides homes and case management services for children and families with intensive needs through kinship and family foster care, supportive maternity/infant foster care, preventive family services, and group care programs,
 - provides immigration legal services; case management, shelter and foster boarding homes to immigrant minors; disaster relief case management; and a hunger prevention program, and
 - provides early childhood education through ten preschools and a network of family daycare homes which promote learning, development and educational readiness.
 - LSSMNY is supported primarily by government fees and contracts. LSSMNY is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.
- Lutheran Family and Community Services ("LFCS") was incorporated under the laws of the State of New York. It is a related entity of LSSNY and shares a common Board of Directors. In addition, LFCS's programs are funded and directed by LSSMNY. LFCS supports unaccompanied minor children through its refugee and immigration programs by coordinating legal assistance with volunteer attorneys and legal aid organizations. LFCS is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

1. Description of Organization and Tax Status *(continued)*

- Lutheran Disaster Response of New York, Inc. (“LDRNY”) was incorporated under the laws of the State of New York. It is a related entity of LSSNY and shares a common Board of Directors. In addition, LDRNY’s programs are funded and directed by LSSMNY. LDRNY collects designated donations for various disaster relief efforts, including domestic and international emergencies such as wildfires, hurricanes, earthquakes, and humanitarian crises. LDRNY is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.
- Muhlenberg Community Housing Development Fund Corporation (“Muhlenberg”) was formed as a New York State not-for-profit corporation for the purpose of developing and operating housing projects for persons with low income, the mentally ill and chronically homeless (the “Project”). The Project is located in Brooklyn, New York and is supported primarily by government grants and contracts. Muhlenberg is qualified as a tax-exempt organization under Section 501(c)(3) of the Code and, accordingly, is exempt from federal income taxes. New Times Plaza Operating Corporation (“NTPO”) is Muhlenberg’s wholly owned for-profit subsidiary. NTPO was formed to act as the general partner in Halle Housing Associates, LP (“Halle”), a low-income housing tax credit property. Halle ceased operations in 2014 and as a result, NTPO has limited operations. Collectively, Muhlenberg Community Housing Development Fund Corporation and NTPO are referred to as “Muhlenberg and Related Entity”.
- 334-336 Bergen Street Housing Development Fund Corporation (“Bergen”) is a New York State not-for-profit corporation that operates a low-income supportive housing project consisting of residential units (and common areas) that are leased to low income persons who are mentally ill and formerly chronically homeless. The project is located in Brooklyn, New York and is supported primarily by government grants, contracts and rental revenue. Bergen is qualified as a tax-exempt organization under Section 501(c)(3) of the Code and, accordingly, is exempt from federal income taxes.
- The New LIFE School (the “School”) is a not-for-profit organization that provided needed educational services to school-age students with disabilities in grades five through twelve. The School began operations in October 2005. The School was primarily supported by tuition fees and government grants and contracts. The School is exempt from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. The School has experienced recurring operating losses. On September 29, 2023, the Board of Directors provided the New York State Education Department (“NYSED”) with an anticipated closing date. The School officially closed on October 13, 2023. However, it has not been legally dissolved and continues to remain active, allowing the School to evaluate and pursue future opportunities.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

1. Description of Organization and Tax Status (*continued*)

- St. John's Community Housing Development Fund Corporation ("St. John's") is a New York State not-for-profit corporation that operates a low-income supportive housing project with residential units (and common areas) that are leased to low income persons who are formerly chronically homeless, some of whom are mentally ill. The project is located in Bronx, New York and is supported primarily by government grants, contracts and rental revenue. St. John's is qualified as a tax-exempt organization under Section 501(c)(3) of the Code and, accordingly, is exempt from federal income taxes. 335 East 165th St. Housing Development Fund Corporation ("355 East") and Heinemeier Operating Corporation ("Heinemeier") are wholly owned subsidiaries of St. John's. Heinemeier was formed to act as the general partner of St. John's House II, LP ("St. John's II"), a low-income housing tax credit project which owns and operates supportive housing units for disabled persons in Bronx, New York. Collectively, these organizations are referred to as "St. John's and Related Entities".

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"), which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Net Assets

Net assets of the Organization are classified based on the presence or absence of donor-imposed restrictions. Net assets are comprised of two groups as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are available for use at the discretion of the Board of Directors (the "Board") and/or management for general operating purposes. From time to time, the Board may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. At June 30, 2025 and 2024, the Organization had no Board designated funds.

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor imposed time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, the net assets with donor restrictions are reclassified to net assets without donor restriction and reported in the consolidated statements of activities as net assets released from restrictions.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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

Net Assets (continued)

From time to time, the Organization may receive gifts of assets with donor restriction that contain a stipulation that assets provided be maintained permanently (perpetual in nature) while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor imposed stipulations or a Board approved spending policy. At June 30, 2025 and 2024 there were no net assets with donor restrictions that are permanent in nature.

Non-Controlling Interest in For-Profit Entity

The portion of St. John's II not owned by LSSNY and subsidiaries are presented in the consolidated financial statements as noncontrolling ownership interests, in an aggregate amount. The non-controlling interest represents the percentage interest in St. John's II and Heinemeier which are not owned by St. John's. Non-controlling interest in subsidiaries are reported as a component of net assets (deficit) in the consolidated statements of financial position with disclosure of the change in net assets (deficit) attributable to St. John's and the non-controlling interests on the consolidated statements of activities and changes in net assets (deficit).

Cash and Restricted Funds

Cash includes certain investments in highly liquid debt instruments with a maturity date of three months or less at the time of purchase. Restricted funds consists of operating reserve, social services reserve and capital reserve.

The balances in cash and restricted funds consist of the following at June 30:

	2025	2024
Operating cash	\$ 1,368,305	\$ 558,385
Restricted funds	1,381,517	1,345,542
	<u>\$ 2,749,822</u>	<u>\$ 1,903,927</u>

Accounts Receivable and Revenue

The Organization records receivables and revenue when earned based on established rates multiplied by the number of units of service provided.

Receivables are charged to the allowance for doubtful accounts when they are determined to be uncollectable based upon a periodic review of the accounts by management. Factors used to determine whether an allowance should be recorded include the age of the receivable and a review of payments subsequent to year-end. The Organization has established an allowance for doubtful accounts of \$739,605 and \$588,616 at June 30, 2025 and 2024. Interest is not accrued or recorded on outstanding receivables.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

2. Summary of Significant Accounting Policies (continued)

Accounts Receivable and Revenue (continued)

Government Grants and Contracts and Medical Insurance and Life Care Clinic Fees

Government grants and contracts and medical insurance and life care clinic fees are recorded as receivables and revenues to the extent that expenses have been incurred for the purposes specified by the grantors. To the extent amounts received exceed amounts spent, the School, Bergen, Muhlenberg and Related Entity, and St. John's and Related Entities, establish a liability for advances from government funders.

Rental Revenue

Rental income is recognized as it accrued. Advance receipts of rental income are deferred and classified as liabilities until earned or recouped. All leases between the Organization and the tenants of the property are considered to be operating leases of one to two years.

Tenant Security Deposits

Bergen, St. John's and Related Entities, and Muhlenberg and Related Entity are required to place tenant security deposits into an interest-bearing account. All tenant security deposits are considered the property of the tenant and may not be commingled with personal monies or become an asset of Bergen, St. John's and Related Entities, or Muhlenberg and Related Entity. Upon cessation of each tenant's stay at Bergen, St. John's and Related Entities, or Muhlenberg and Related Entity, the security deposit is returned to the tenant or a family member.

Property and Equipment

Items capitalized as part of property and equipment are stated at cost or fair value if contributed. Acquisitions with a cost in excess of \$5,000 and an estimated useful life of greater than three years are capitalized. Routine maintenance and repairs are expensed while those that extend the life of existing properties are capitalized. Depreciation is provided over the estimated useful lives of each class of depreciable assets and is computed utilizing the straight-line method. Amortization of leasehold improvements is provided on the straight-line basis.

The estimated useful lives by asset class are as follows:

Building and building improvements	40 years
Leasehold improvements	Shorter of Remaining Lease Term or Useful Life
Furniture and equipment	3-10 years

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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

Impairment of Long-Lived Assets

The Organization reviews its investment in rental property for impairment whenever events or changes in circumstances indicate that the carrying value of such property may not be recoverable. For assets held and used, if management's estimate of the aggregate future cash flows to be generated by the property, undiscounted and without interest changes, by the rental property including any estimated proceeds from the eventual disposition of the real estate are less than their carrying amounts, an impairment loss has occurred. The amount of the impairment loss is equal to the excess of the asset's carrying value over its estimated fair value. The determination of undiscounted cash flows requires significant estimates by management. Subsequent changes in estimated undiscounted cash flows could impact the determination of whether impairment exists. There were no impairment charges required to be recognized for the years ended June 30, 2025 and 2024.

Conditional Asset Retirement Obligations

The Organization accounts for Conditional Asset Retirement Obligations ("CARO") in accordance with U.S. GAAP, which defines a CARO as legal obligation to perform an asset retirement activity in which the timing and/or method of settlement are conditional on a future event that may or may not be within the control of the entity. Uncertainty with respect to the timing and/or method of settlement of the asset retirement obligation does not defer recognition of a liability. The fair value of the CARO is recorded on a discounted basis and accreted over time for the change in fair value. Management has determined that there are no CARO liabilities that are required to be accrued at June 30, 2025 and 2024.

Cash Surrender Value of Annuity Contract

Muhlenberg and Related Entity is invested in an annuity contract for which a key former officer serves as the annuitant. The annuity contract is recorded at its cash surrender value in the accompanying consolidated statements of financial position. The full cash surrender value of the contract is available for withdrawal. The annuity contract earns income based on the initial effective rate of 4.50%, adjustable annually on the anniversary date of the contract. The effective rate of 3.20% is guaranteed through March 10, 2027.

Advances from Government Agencies

Advances from government agencies include receipts under certain government-funded contract programs, which were advanced at contract inception or have not been spent due to budget modifications, and are available for application to future years' renewal contracts.

Deferred Revenue

Advances payable or amounts received for future use are presented as deferred revenue on the consolidated statements of financial position.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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

Due to Government Agencies

Due to government agencies includes estimated accruals by the School for overpayments made by funding sources, retroactive rate adjustments, accrued interest on overpayments and possible disallowed costs. Due to government agencies also includes estimated net overpayments, various loans and advances received by LSSMNY from the New York City Administration for Children's Services and Department of Education.

Debt Issuance Costs

Debt issuance costs are presented as a direct reduction from the carrying amount of the related debt in the consolidated financial statements, and consist of direct costs incurred in connection with the loans. Debt issuance costs totaled \$223,015 as of June 30, 2025 and 2024 and are being amortized over the life of the loans under the straight line method which approximates the effective interest method, which is 5 to 30 years. Accumulated amortization related to these debt issuance costs was \$93,328 and \$83,949 as of June 30, 2025 and 2024. Amortization of debt issuance costs was \$9,379 and \$9,379 for the years ended June 30, 2025 and 2024 and are included in interest expense in the accompanying consolidated statements of functional expenses.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional and are reported at fair value at the date the contribution is received. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Donated Services and Supplies

Donated services and supplies are recorded as income and expenses at the time the items are received, which is also the time they are placed into service. Donated services are reported as income and expense at their fair value if such services create value or would have been purchased if not provided by donation, require special skills, and are provided by individuals possessing such specialized skills.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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

Donated Services and Supplies (continued)

There were no donated goods or services for the year ending June 30, 2025. Donated goods and services for the year ending June 30, 2024, were as follows:

	<u>Amount</u>	<u>Usage</u>	<u>Donor Restriction</u>	<u>Fair Value Techniques</u>
Supplies	<u>\$ 33,595</u>	Program	None	Market value of supplies received

Prior Year Rate Adjustments

There are occasions when funding source reimbursements for prior years are adjusted in the current year. Such adjustments may be due to funding source audit findings, additional monies available over and above the original contract amounts, rate appeal results or other similar adjustments.

Functional Allocation of Expenses

The costs of providing program and other activities have been summarized on a functional basis in the consolidated statements of activities. Accordingly, certain costs have been allocated among the programmatic and supporting services benefited. Such allocations are determined by management based upon allowable budgeted amounts with grantor agencies, as well as estimates of time and effort spent on program activities, management and general activities and fundraising activities. Salaries and fringes are allocated by time and effort. Professional services and information technology are allocated by headcount. All other expenses are specifically allocated. Expenses that can be identified with a specific program or support service are charged directly to that program or service. Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Leases

The Organization determines if an arrangement is a lease at inception. All leases are recorded on the consolidated statements of financial position except for leases with an initial term less than 12 months for which the Organization made the short-term lease election.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

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

Leases (continued)

Operating lease right-of-use ("ROU") assets and lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. ROU assets also include adjustments related to lease payments made and lease incentives received at or before the commencement date. The ROU assets resulting from operating leases are included in right-of-use asset and the related liabilities are included in operating lease liabilities in the consolidated statements of financial position. At lease commencement, lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Organization's incremental borrowing rate. Operating lease cost is recognized on a straight-line basis over the lease term as rent expense within program service expenses and management and general expenses in the consolidated statements of functional expenses. Lease and non-lease components of lease agreements are accounted for separately. Lease terms may include options to extend or terminate the lease and when it is reasonably certain that the Organization will exercise that option, such amounts are included in ROU assets and operating lease liabilities.

Operating Measure

The consolidated statements of activities and changes in net assets (deficit) separately report changes in net assets from operating and non-operating activities. Operating activities consist principally of revenues and expenses related to ongoing activities. Non-operating activities consist of net investment return, net of investment return appropriated for operating purposes and changes in the cash surrender value of annuity contract.

Accounting for Uncertainty in Income Taxes

The Organization recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that the Organization has no uncertain tax positions that would require consolidated financial statement recognition or disclosure. The Organization is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to June 30, 2022.

Reclassification

Certain amounts in the 2024 consolidated financial statements have been reclassified for comparative purposes to conform with the presentation of the 2025 consolidated financial statements.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or possible recognition in the consolidated financial statements through June 11, 2026, which is the date that the consolidated financial statements were available to be issued.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

3. Liquidity and Availability of Financial Resources

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

	2025	2024
Cash	\$ 1,368,305	\$ 558,385
Accounts receivable, net	<u>27,264,093</u>	<u>27,461,907</u>
	<u>\$ 28,632,398</u>	<u>\$ 28,020,292</u>

Liquidity Management

The Organization structures its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, funds are maintained in a reserve for replacement and operating reserve. These funds are used for the benefit of the tenants and/or project and are required by the New York City Department of Housing Preservation and Development ("HPD"). The funds may be withdrawn only with the approval of HPD and Enterprise Housing Alliance Fund, LP, the limited partner of St. John's II. Such funds are not considered to have donor-restrictions.

4. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to a concentration of credit risk consist primarily of cash and accounts receivable. At times, cash balances may be in excess of the Federal Deposit Insurance Corporation's insurance limits. As of June 30, 2025 and 2024, the uninsured portion of this balance was \$721,270 and \$141,233.

For the years ended June 30, 2025 and 2024, approximately 93% and 94% of the Organization's governments grants and contracts revenue were from four government funding sources. For the years ended June 30, 2025 and 2024, approximately 89% and 77% of the Organization's accounts receivable were from three government funding sources.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2025 and 2024

5. Accounts Receivable

Accounts receivable, net consisted of the following at June 30:

	2025	2024
New York City Administration for Children's Services ("ACS")	\$ 4,277,325	\$ 5,650,540
New York City Department of Education ("DOE")	9,226,492	6,793,729
New York City Department of Health and Mental Hygiene	1,250,693	4,114,243
Office of Refugee Resettlement	124,695	462,330
New York State Education Department	296,945	296,945
Tenant rent receivables	694,134	463,715
New York City Department of Homeless Services	10,897,317	8,698,517
Lutheran Immigration and Refugee Services	335,114	534,754
U.S. Department of Housing and Urban Development	173,482	226,877
New York State Department of Health	135,355	42,688
Parent fees	6,860	8,634
New York State Department of Health Child and Adult Care food program	165,331	190,300
Medicaid	225,092	180,744
Other receivables	194,863	386,507
	<u>28,003,698</u>	<u>28,050,523</u>
Less allowance for doubtful accounts	<u>(739,605)</u>	<u>(588,616)</u>
	<u><u>\$ 27,264,093</u></u>	<u><u>\$ 27,461,907</u></u>

6. Restricted Funds – Reserves

Muhlenberg and Related Entity

The operating and capital reserves were established upon transfer of loans, pursuant to a loan agreement between Muhlenberg and Related Entity and HPD. These reserves are held by the New York City Housing Development Corporation ("HDC"). The reserves must be maintained throughout the terms of the loans, unless fully expensed for eligible purposes, upon prior written consent by HPD.

St. John's and Related Entities

Pursuant to the Limited Partnership Agreement ("LPA") and the Loan Agreement between St. John's II and HPD, St. John's II is required to establish an operating reserve, social services reserve and capital reserve from capital contributions.

The LPA requires the funding of a replacement reserve as set forth in the budget approved by HPD for each year. This reserve shall be used solely for substantial repairs or replacement of St. John's II capital assets.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

6. Restricted Funds – Reserves (continued)

St. John's and Related Entities (continued)

The operating reserve is required to be funded up to \$220,000 from capital contributions and the social services reserve is required to be initially funded up to \$100,000 from capital contributions.

For the years ended June 30, 2025 and 2024, there were no deposits made to the replacement reserve as required by the LPA. As of June 30, 2025 and 2024, the operating and social services reserves were fully funded.

Withdrawals from these reserves can only be made with prior approval of HPD and Enterprise Housing Alliance Fund, LP, the limited partner of St. John's II.

The activity in these funds for the year ended June 30, 2025 is as follows:

	Operating Reserve	Capital Reserve	Social Services Reserve	Total
Beginning balance	\$ 888,778	\$ 370,184	\$ 86,580	\$ 1,345,542
Interest earned	26,297	13,700	-	39,997
Withdrawals	(1,923)	(2,099)	-	(4,022)
Ending balance	<u>\$ 913,152</u>	<u>\$ 381,785</u>	<u>\$ 86,580</u>	<u>\$ 1,381,517</u>

The activity in these funds for the year ended June 30, 2024 is as follows:

	Operating Reserve	Capital Reserve	Social Services Reserve	Total
Beginning balance	\$ 863,148	\$ 357,722	\$ 86,580	\$ 1,307,450
Interest earned	27,533	13,361	-	40,894
Withdrawals	(1,903)	(899)	-	(2,802)
Ending balance	<u>\$ 888,778</u>	<u>\$ 370,184</u>	<u>\$ 86,580</u>	<u>\$ 1,345,542</u>

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

7. Property, Plant and Equipment

Property, plant and equipment consists of the following at June 30:

	2025	2024
Land	\$ 5,324,189	\$ 5,324,189
Buildings and building improvements	35,440,030	35,440,030
Leasehold improvements	1,564,166	1,564,166
Furniture and equipment	<u>246,792</u>	<u>246,792</u>
	42,575,177	42,575,177
Accumulated depreciation and amortization	<u>(16,190,834)</u>	<u>(15,151,040)</u>
	<u>\$ 26,384,343</u>	<u>\$ 27,424,137</u>

Depreciation expense related to property and equipment amounted to \$1,039,794 and \$1,029,897 for the years ended June 30, 2025 and 2024.

8. Loans, Notes Payable and Line of Credit

Loans, notes payable and line of credit consisted of the following at June 30, 2025:

	Principal	Unamortized Debt Issuance Cost	Total
Note payable, Lutheran Church Extension Fund- Missouri Synod (a)	\$ 13,629,258	\$ (71,712)	\$ 13,557,546
Note payable, Lutheran Church Extension Fund (b)	2,649,936	-	2,649,936
Line of Credit, Lutheran Church Extension Fund (c)	906,125	-	906,125
Note payable, Mission Investment Fund (d)	815,614	-	815,614
Note payable, Department of Housing Preservation and Development (e)	2,489,875	(7,024)	2,482,851
Note payable, New York State Homeless Housing and Assistance Corporation (f)	2,480,224	-	2,480,224
Note payable, New York City Housing Development Corporation (g)	484,205	-	484,205
Note payable, Department of Housing Preservation and Development (h)	10,799,727	(50,951)	10,748,776
Construction loan payable, Department of Housing Preservation and Development (i)	<u>1,296,742</u>	<u>-</u>	<u>1,296,742</u>
	<u>\$ 35,551,706</u>	<u>\$ (129,687)</u>	<u>\$ 35,422,019</u>

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

8. Loans, Notes Payable and Line of Credit *(continued)*

Loans, notes payable and line of credit consisted of the following at June 30, 2024:

	Principal	Unamortized Debt Issuance Cost	Total
Note payable, Lutheran Church Extension Fund- Missouri Synod (a)	\$ 13,887,878	\$ (76,671)	\$ 13,811,207
Note payable, Lutheran Church Extension Fund (b)	2,813,130	-	2,813,130
Line of Credit, Lutheran Church Extension Fund (c)	906,125	-	906,125
Note payable, Mission Investment Fund (d)	835,091	-	835,091
Note payable, Department of Housing Preservation and Development (e)	2,489,875	(8,762)	2,481,113
Note payable, New York State Homeless Housing and Assistance Corporation (f)	2,480,224	-	2,480,224
Note payable, New York City Housing Development Corporation (g)	484,205	-	484,205
Note payable, Department of Housing Preservation and Development (h)	10,799,727	(53,633)	10,746,094
Construction loan payable, Department of Housing Preservation and Development (i)	1,296,742	-	1,296,742
	<u>\$ 35,992,997</u>	<u>\$ (139,066)</u>	<u>\$ 35,853,931</u>

Debt issuance costs incurred to obtain financing by the Organization, which have been capitalized and are being amortized, are described below:

	2025	2024
Deferred financing costs	\$ 223,015	\$ 223,015
Accumulated amortization	(93,328)	(83,949)
	<u>\$ 129,687</u>	<u>\$ 139,066</u>

Amortization of debt issuance costs for the years ending June 30 are as follows:

2026	\$ 9,379
2027	9,379
2028	9,379
2029	9,379
2030	9,379
Thereafter	82,792
	<u>\$ 129,687</u>

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

8. Loans, Notes Payable and Line of Credit (*continued*)

LSSMNY

- (a) On March 16, 2017, LSSMNY refinanced its existing obligations with Public Finance Authority and entered into loan agreements with the Lutheran Church Extension Fund-Missouri Synod (LCEF) including a promissory note payable for \$15,400,000 (the "Note").

The Note bears interest at a fixed rate of 3.375% for the first 5 years of the term at which point a variable rate as set forth in the agreement will be assessed on the fifth, tenth and fifteenth anniversaries of the loan (3.875% at June 30, 2025 and 2024). Principal and interest on the Note shall be payable in monthly installments (currently \$58,509) through the maturity of the loan on May 16, 2047. During 2020, as a result of the COVID-19 pandemic, the lender agreed to defer two months payments and extend the maturity date by the same to July 16, 2047.

- (b) In January 2019, LSSMNY and LSSNY jointly entered into a second loan agreement with LCEF for \$3,895,370. The note bears interest at a variable rate (6.125% and 4.625% at June 30, 2025 and 2024). The rate is subject to change on each anniversary of the loan and is based on the lender's cost of funds then in effect plus three percentage points. Monthly principal and interest payments currently total \$30,049 and are payable through the loans maturity date of January 9, 2024. On May 2, 2024 the loan was refinanced for a term of 66 months. Repayment terms include the first six monthly payments of principal and interest in the original amount of \$30,049 with 59 monthly payments of \$52,000, with the final payment being the remaining loan balance. The loan will reach maturity on December 9, 2029.

The notes have certain financial and nonfinancial covenants including a minimum debt service coverage ratio of 1.0, requirement to submit quarterly financial statements within 45 days of the end of each quarter and requirement to submit annual audited financial statements within 180 days of the end of the fiscal year. For the years ended June 30, 2025 and 2024 LSSMNY was not in compliance with the debt service coverage ratio covenant and was not in compliance with the submission requirement and was able to obtain a waiver.

- (c) LSSMNY and LSSNY are party to a \$1,000,000 LOC with LCEF. The LOC bears interest at a variable rate (3.875% at June 30, 2025 and 2024) as defined in the agreement. The rate is subject to change on each anniversary of the loan and is based on the lender's cost of funds then in effect plus three percentage points. Interest on the LOC is payable in monthly installments with any accrued interest and principal due on the maturity date of June 8, 2026. LSSMNY had an outstanding amount on the LOC as of June 30, 2025 and 2024 in the amount of \$906,125.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

8. Loans, Notes Payable and Line of Credit (*continued*)

- (d) In March 2012, LSSMNY entered into a 30-year note payable with Mission Investment Fund ("MIF") in the amount of \$1,076,648. The loan bears interest at a variable rate that resets quarterly based on the bond issue rate at Stern Brothers & Co., with a floor of 3.00% (6.625% and 4.875% at June 30, 2025 and 2024). Payments on the note were interest-only through November 2014, at which time the monthly payment was re-amortized based on the remaining payment period of the loan. The balance outstanding at June 30, 2025 and 2024 was \$815,614 and \$835,091.

These notes and LOC are secured by land and building with a net book value of approximately \$13.5 million and \$13.9 million as of June 30, 2025 and 2024, as well as other assets specifically identified in the agreements. LSSNY is listed as a co-borrower on the notes and LOC.

Interest expense relating to LCEF and MIF notes payable amounted to \$892,541 and \$731,398 for the years ended June 30, 2025 and 2024, including amortization of deferred finance costs of \$4,959 for each of the years then ended.

St. John's and Related Entities

- (e) St. John's II entered into a loan agreement with HPD in 2006 for \$2,489,875. The loan is secured by a mortgage on the premises and improvements set forth in the building loan contract. The loan bears interest at the rate of 0.25% per annum and will mature in January 2038. No principal or interest payments are required until maturity date. For each of the years ended June 30, 2025 and 2024, interest expense was \$6,225 and at June 30, 2025 and 2024 accrued interest was \$103,264 and \$97,039.
- (f) St. John's II entered into a loan agreement with the New York State Homeless Housing and Assistance Corporation in 2006 for \$2,480,224. The loan is secured by a mortgage on the premises and improvements set forth in the building loan contract. The loan bears interest at the rate of 1% per annum and will mature in January 2038. No principal or interest payments are required until maturity date. For the years ended June 30, 2025 and 2024, interest expense was \$24,802 each year and at June 30, 2025 and 2024 accrued interest was \$461,830 and \$437,028.

Muhlenberg and Related Entity

- (g) Muhlenberg and Related Entity assumed the note from HDC in connection with the acquisition of the Project from the former owner. The note is secured by the building and property at 510 Atlantic Avenue, Brooklyn, New York, is non interest bearing and does not require any payments of principal until January 1, 2046, the maturity date.
- (h) Muhlenberg and Related Entity assumed the note from HDC in connection with the acquisition of the Project from the former owner. The note is secured by the building and property at 510 Atlantic Avenue, Brooklyn, New York, and bears interest at 0.85% and does not require any payments of principal until January 1, 2046, the maturity date. For each of the years ended June 30, 2025 and 2024, interest expense was \$91,798 and at June 30, 2025 and 2024 accrued interest was \$1,010,167 and \$918,369.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

8. Loans, Notes Payable and Line of Credit *(continued)*

Muhlenberg and Related Entity (continued)

- (i) On June 30, 2014, Muhlenberg and Related Entity entered into a construction loan agreement with HPD to fund rehabilitation work at the Project. A construction work plan was approved by HPD for the maximum amount funded of \$1,000,291. During the year ended June 30, 2021, HPD increased the loan to \$1,296,742 due to additional building improvements that were financed through the loan. The loan converted to permanent financing with an interest rate of 1.00% per annum upon completion of the construction loan period as defined in the agreement. The loan is secured by the building and property at 510 Atlantic Avenue, Brooklyn, New York. No payments are due until January 1, 2046, the maturity date. For each of the years ended June 30, 2025 and 2024, interest expense was \$11,367 and \$11,022 and at June 30, 2025 and 2024 accrued interest was \$85,564 and \$74,197.

Future maturities of loans and notes payable for the Organization are as follows:

2026	\$ 1,405,495
2027	1,405,495
2028	1,405,495
2029	1,405,495
2030	1,405,495
Thereafter	28,524,231
	<u>\$ 35,551,706</u>

9. Lease Commitments

LSSMNY leases various pieces of office equipment under operating leases with varying expirations through 2027. LSSMNY also leases various office spaces with varying expirations through 2033.

Consolidated statements of financial position information related to the operating lease is as follows at June 30:

	2025	2024
Right-of-use assets	\$ 3,131,444	\$ 4,554,817
Operating lease liabilities	3,167,033	4,590,406

Right-of-use assets consist of the following at June 30:

	2025	2024
Right-of-use assets	\$ 7,132,454	\$ 7,132,454
Accumulated amortization	<u>(4,001,010)</u>	<u>(2,577,637)</u>
	<u>\$ 3,131,444</u>	<u>\$ 4,554,817</u>

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

9. Lease Commitments *(continued)*

The components of the lease cost were as follows for the years ended June 30:

	2025	2024
Operating lease cost	\$ 1,577,634	\$1,969,328
Short term lease cost	6,856,363	4,655,076
	<u>\$ 8,433,997</u>	<u>\$ 6,624,404</u>

Information associated with the measurement of the Organization's operating lease obligations as of June 30 are as follows:

	2025	2024
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 1,423,373	\$ 1,844,580
Weighted average remaining lease term in years for operating leases	4.45	4.67
Weighted average discount rate for operating leases	3.71%	3.45%

The following table presents information about the amount and timing of cash flows arising from the Organization's operating leases as of June 30, 2025:

2026	\$ 1,145,530
2027	835,936
2028	376,864
2029	384,124
2030	255,642
Thereafter	<u>516,052</u>
Total Undiscounted Operating Lease Payments	3,514,148
Less: imputed interest	<u>(347,115)</u>
Present Value of Operating Lease Liabilities	<u>\$ 3,167,033</u>

10. Deferred Revenue

Deferred revenue consisted of the following as of June 30:

	2025	2024
New York City Department of Health and Mental Hygiene	\$ 480,675	\$ 1,926,520
New York City Department of Homeless Services	35,537	63,300
Rent advances	<u>156,227</u>	<u>28,019</u>
	<u>\$ 672,439</u>	<u>\$ 2,017,839</u>

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements June 30, 2025 and 2024

11. Due to Government Agencies

Due to government agencies consisted of the following at June 30:

	2025	2024
New York City Administration for Children's Services ("ACS")	\$ 4,949,958	\$ 5,017,883
Department of Education ("DOE")	5,894,747	4,988,813
Other	6,921	20,229
	<u>\$ 10,851,626</u>	<u>\$ 10,026,925</u>

At June 30, 2025 and 2024, LSSMNY had a total estimated liability to ACS of \$4,949,958 and \$5,017,883, related to its Foster Care and Children's Services program and Education Services programs.

On January 5, 2016, ACS and LSSMNY formally agreed to a settlement for overpayments to LSSMNY from 1993 through 2011 in the amount of \$3,042,671. The repayment terms provide for monthly recoupments of \$2,000. At June 30, 2025 and 2024, the liability for the overpayments to the Foster Care and Children's Services program totaled \$2,417,807 and \$2,463,150.

LSSMNY has received various loans and advances from the DOE for the Education Services program. As of June 30, 2025 and 2024, LSSMNY has a liability of \$1,962,877 and \$1,056,943. The loan and advances will continue to be recouped by DOE from future payments on future claims or upon the close out of the year, as determined by DOE, with no interest charged on the loan.

During 2021, DOE and LSSMNY extended the contract through June 30, 2026.

During the year ended June 30, 2024, the School settled retroactive rate adjustments with DOE for fiscal years from 2020 to 2022 totaling \$2,707,923. There were no retroactive rate adjustments settled during the year ended June 30, 2025. The total estimated rate overpayments was \$1,223,947 as of June 30, 2025 and 2024.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

12. Commitments and Contingencies

The Organization has contracted with various funding agencies to perform services and receive reimbursements from state and city governments. Reimbursements received under these contracts and payments are subject to audit by the city and state governments. Upon audit, if discrepancies are discovered, the Organization could be held responsible for refunding the amounts in question. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered. These amounts are adjusted in future periods as adjustments become finalized or as the years are no longer subject to such audits, reviews, and investigations. The grant and contract provisions for the programs that the Organization participates in are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

Laws and regulations governing Medicaid and the other programs that the Organization participates in are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

The Organization is involved in various legal proceedings and litigation arising in the ordinary course of business. Management believes that any potential damages would be covered by its insurance limits at June 30, 2025 and 2024.

13. Management's Plan

For the year ended June 30, 2025, the Organization had operating losses exceeding \$2,000,000. Most of this loss was sustained in the operations of LSSMNY, which had an operational deficit of more than \$1,600,000.

During the year ended June 30, 2024, LSSMNY took actions to address a significant source of its operating deficit by discontinuing the Early Life program at the Park Avenue site, effective September 30, 2024, in accordance with contractual requirements. The closure eliminated recurring operating losses associated with that location. During the year ended June 30, 2025, management decided to focus on stabilizing the remaining Early Life program operations through efforts to improve enrollment levels, enhance recruitment and retention, and continue aligning operating costs with available funding. These efforts are supported by ongoing evaluations of program performance and the continued refinement of internal processes and policies to enhance accountability, consistency, and compliance with funding and regulatory requirements.

Health program operations continued to generate operating deficits during the year ended June 30, 2024. During the year ended June 30, 2025, management pursued improved financial performance through modifications to service delivery, ongoing expense controls, and continued alignment of staffing levels and program costs with reimbursement rates and grant funding. Management will continue to monitor program performance and assess long-term financial viability. If operating losses persist, management may implement an orderly and strategic reduction or discontinuation of affected programs.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

13. Management's Plan (*continued*)

In addition to program-specific measures, management continues to address operating deficits across other functional areas. Actions for the year ended June 30, 2025, included pursuing contract renegotiations, evaluating opportunities to internalize selected services where management determines it is cost-effective, and implementing organization-wide process improvements intended to improve efficiency and internal controls.

These are management's current strategies to address operating results and liquidity considerations. Actual results may differ from management's expectations based on funding availability, reimbursement levels, enrollment trends, and other factors beyond LSSMNY's control.

Operational losses at Muhlenberg and St. John's continued to be primarily driven by a rental revenue base that was insufficient to fully cover operating and maintenance costs. During the year ended June 30, 2024, management engaged with multiple government agencies to explore potential rehabilitation and capital funding opportunities intended to stabilize the property and support long-term viability. These discussions continued during the year ended June 30, 2025.

During the year ended June 30, 2025, management evaluated funding options to address structural and capital needs and to improve the sustainability of operations. Management also assessed opportunities to improve operating efficiencies, control expenses, and better align Muhlenberg and St. John's cost structure with available rental income and subsidy sources. Management continues to seek and evaluate such opportunities and alternative strategies to mitigate ongoing losses and protect Muhlenberg and St. John's overall financial position as cash flow remains a priority, particularly considering ongoing delays in reimbursements from government contracts.

As part of the financial statement preparation for the year ended June 30, 2025, management evaluated the accounting treatment of interest related to HPD loans associated with Muhlenberg and St. John's, for which interest is contractually deferred to maturity and not required to be paid on a current basis.

The application of the accrual approach results in interest expense being recognized despite the absence of current payment requirements. During the year ended June 30, 2025, approximately \$109,000 of noncash interest expense related to the HPD loans was recognized, which contributed to the reported operating loss. Management continues to assess whether this treatment appropriately reflects the economic substance of the HPD loan arrangements, particularly considering the deferred nature of the interest and historical practices of modification. Management will continue to evaluate this matter in consultation with HPD and will consider any necessary adjustments in future reporting periods.

Lutheran Social Services of New York, Inc. and Subsidiaries

Notes to Consolidated Financial Statements

June 30, 2025 and 2024

14. Retirement Plans

The School, LSSNY, Muhlenberg and Related Entity, Bergen, St. John's and Related Entities, LFCS and LSSMNY participate in the Evangelical Lutheran Church in America Master Institutional Retirement Plan (the "Plan") sponsored by LSSNY, intended to meet the requirements of a retirement income account within the meaning of the Internal Revenue Code Section 403(b)(9). The Plan is exempt from the Employee Retirement Income Securities Act ("ERISA") because it meets the requirements of a church plan within the meaning of Code Section 414(e) and ERISA Section 3(33). The Plan covers all full-time employees who have completed two years of service as defined by the Plan. Participants are immediately fully vested in employer contributions. The employer contribution is 5% of eligible wages as determined by the Plan. The Plan also provides for employer matching contributions equal to 50% of employee contributions, up to 6% of eligible compensation. There were no additional discretionary contributions in fiscal years 2025 and 2024. Total employer contributions to the Plan were \$912,215 and \$812,987 for the years ended June 30, 2025 and 2024.

15. Health Insurance

Effective December 1, 2011, The School, LSSNY, Muhlenberg and Related Entity, Bergen, St. John's and Related Entities, LFCS and LSSMNY provide health insurance benefits to many of their employees through a self-funded health plan sponsored by LSSNY and administered by a third-party administrator. The School, LSSNY, Muhlenberg and Related Entity, Bergen, ST. John's and Related Entities, LFCS and LSSMNY self-insure the cost of the program up to specified stop-loss insurance limits, which limit the maximum individual and aggregate losses. Self-insurance costs are accrued based upon the aggregate liability for reported claims and an estimate of claims incurred but not reported.

16. Change in Consolidated Net Assets Without Donor Restrictions

	2025		
	Net Assets Without Donor Restrictions	Noncontrolling Interest	Total Net Assets
Beginning of year	\$ (8,233,605)	\$ (1,824,587)	\$ (10,058,192)
Change in net assets	(2,171,349)	(162,018)	(2,333,367)
End of Year	<u>\$ (10,404,954)</u>	<u>\$ (1,986,605)</u>	<u>\$ (12,391,559)</u>
	2024		
	Net Assets Without Donor Restrictions	Noncontrolling Interest	Total Net Assets
Beginning of year	\$ (2,930,868)	\$ (1,663,106)	\$ (4,593,974)
Change in net assets	(5,302,737)	(161,481)	(5,464,218)
End of Year	<u>\$ (8,233,605)</u>	<u>\$ (1,824,587)</u>	<u>\$ (10,058,192)</u>

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**Lutheran Social Services of New York, Inc.
and Subsidiaries**

Supplementary Information
June 30, 2025 and 2024

Lutheran Social Services of New York, Inc. and Subsidiaries

Consolidating Schedule of Financial Position
June 30, 2025

	LSSNY	LSSMNY	The New LIFE School	LDRNY	LFCS	Bergen	Muhlenberg and Related Entity	St. John's and Related Entities	Eliminations	Total
ASSETS										
Current Assets										
Cash	\$ 27,060	\$ 724,768	\$ 8,919	\$ 210,013	\$ 79,369	\$ 62,652	\$ 53,981	\$ 201,543	\$ -	\$ 1,368,305
Accounts receivable, net	9,418	25,355,780	296,945	-	64,039	301,078	950,782	286,051	-	27,264,093
Prepaid expenses and other current assets	75,025	104,359	-	-	2,871	5,985	28,906	4,614	-	221,760
Total Current Assets	<u>111,503</u>	<u>26,184,907</u>	<u>305,864</u>	<u>210,013</u>	<u>146,279</u>	<u>369,715</u>	<u>1,033,669</u>	<u>492,208</u>	<u>-</u>	<u>28,854,158</u>
Deposits Held in Trust										
Tenant security deposits	-	-	-	-	-	166,573	79,298	19,565	-	265,436
Right-of-use assets	-	3,131,444	-	-	-	-	-	-	-	3,131,444
Property and equipment, net	-	13,501,997	-	-	-	481,552	8,772,551	3,628,243	-	26,384,343
Other Assets										
Cash surrender value of annuity contract	-	-	-	-	-	-	1,314,018	-	-	1,314,018
Restricted funds	-	-	-	-	-	-	954,439	427,078	-	1,381,517
Due from affiliates	5,397,935	191,543	115,312	-	36,610	860,330	549,812	249,805	(7,401,347)	-
Total Other Assets	<u>5,397,935</u>	<u>191,543</u>	<u>115,312</u>	<u>-</u>	<u>36,610</u>	<u>860,330</u>	<u>2,818,269</u>	<u>676,883</u>	<u>(7,401,347)</u>	<u>2,695,535</u>
	<u>\$ 5,509,438</u>	<u>\$ 43,009,891</u>	<u>\$ 421,176</u>	<u>\$ 210,013</u>	<u>\$ 182,889</u>	<u>\$ 1,878,170</u>	<u>\$ 12,703,787</u>	<u>\$ 4,816,899</u>	<u>\$ (7,401,347)</u>	<u>\$ 61,330,916</u>
LIABILITIES AND NET ASSETS (DEFICIT)										
Current Liabilities										
Accounts payable and accrued expenses	\$ 1,085,694	\$ 7,656,647	\$ -	\$ -	\$ 25,496	\$ 261,115	\$ 736,953	\$ 307,884	\$ -	\$ 10,073,789
Accrued compensation	141,104	1,506,993	-	-	14,304	33,258	127,971	22,580	-	1,846,210
Advances from government agencies	-	9,929,527	-	-	-	-	-	-	-	9,929,527
Deferred revenue	-	-	-	-	-	125,407	373,494	173,538	-	672,439
Loans, notes payable and line of credit, current maturities	-	1,405,495	-	-	-	-	-	-	-	1,405,495
Operating lease liabilities, current portion	-	1,045,285	-	-	-	-	-	-	-	1,045,285
Due to government agencies, current portion	-	24,000	3,931,870	-	-	-	-	-	-	3,955,870
Total Current Liabilities	<u>1,226,798</u>	<u>21,567,947</u>	<u>3,931,870</u>	<u>-</u>	<u>39,800</u>	<u>419,780</u>	<u>1,238,418</u>	<u>504,002</u>	<u>-</u>	<u>28,928,615</u>
Long-term Liabilities										
Accrued interest payable	-	-	-	-	-	-	1,095,731	565,094	-	1,660,825
Loans, notes payable and line of credit, net of current maturities	-	16,523,726	-	-	-	-	12,529,723	4,963,075	-	34,016,524
Operating lease liabilities, net of current portion	-	2,121,748	-	-	-	-	-	-	-	2,121,748
Tenant security deposits liability	-	-	-	-	-	14,224	65,228	19,555	-	99,007
Due to affiliates	-	4,313,274	-	195,908	18,305	557,611	1,744,713	571,536	(7,401,347)	-
Due to government agencies, net of current portion	-	6,895,756	-	-	-	-	-	-	-	6,895,756
Total Long-Term Liabilities	<u>-</u>	<u>29,854,504</u>	<u>-</u>	<u>195,908</u>	<u>18,305</u>	<u>571,835</u>	<u>15,435,395</u>	<u>6,119,260</u>	<u>(7,401,347)</u>	<u>44,793,860</u>
Total Liabilities	<u>1,226,798</u>	<u>51,422,451</u>	<u>3,931,870</u>	<u>195,908</u>	<u>58,105</u>	<u>991,615</u>	<u>16,673,813</u>	<u>6,623,262</u>	<u>(7,401,347)</u>	<u>73,722,475</u>
Net Assets (Deficit)										
Without donor restrictions	4,282,640	(8,412,560)	(3,510,694)	14,105	124,784	886,555	(3,970,026)	180,242	-	(10,404,954)
Non-controlling interest	-	-	-	-	-	-	-	(1,986,605)	-	(1,986,605)
Total Net Assets (Deficit)	<u>4,282,640</u>	<u>(8,412,560)</u>	<u>(3,510,694)</u>	<u>14,105</u>	<u>124,784</u>	<u>886,555</u>	<u>(3,970,026)</u>	<u>(1,806,363)</u>	<u>-</u>	<u>(12,391,559)</u>
	<u>\$ 5,509,438</u>	<u>\$ 43,009,891</u>	<u>\$ 421,176</u>	<u>\$ 210,013</u>	<u>\$ 182,889</u>	<u>\$ 1,878,170</u>	<u>\$ 12,703,787</u>	<u>\$ 4,816,899</u>	<u>\$ (7,401,347)</u>	<u>\$ 61,330,916</u>

See independent auditors' report

Lutheran Social Services of New York, Inc. and Subsidiaries

Consolidating Schedule of Financial Position
June 30, 2024

	LSSNY	LSSMNY	The New LIFE School	LDRNY	LFCS	Bergen	Muhlenberg and Related Entity	St. John's and Related Entities	Eliminations	Total
ASSETS										
Current Assets										
Cash	\$ 27,607	\$ 6,622	\$ 14,285	\$ 203,839	\$ 20,429	\$ 21,530	\$ 13,967	\$ 250,106	\$ -	\$ 558,385
Accounts receivable, net	-	22,717,341	296,945	-	79,088	1,275,797	2,217,968	874,768	-	27,461,907
Prepaid expenses and other current assets	68,831	145,828	6,756	-	2,140	2,894	89,443	5,174	-	321,066
Total Current Assets	96,438	22,869,791	317,986	203,839	101,657	1,300,221	2,321,378	1,130,048	-	28,341,358
Deposits Held in Trust										
Tenant security deposits	-	-	-	-	-	85,469	71,064	10,595	-	167,128
Right-of-use assets	-	4,554,817	-	-	-	-	-	-	-	4,554,817
Property and equipment, net	-	13,909,153	-	-	-	560,921	9,130,280	3,823,783	-	27,424,137
Other Assets										
Cash surrender value of annuity contract	-	-	-	-	-	-	1,269,015	-	-	1,269,015
Restricted funds	-	-	-	-	-	-	934,738	410,804	-	1,345,542
Due from affiliates	4,409,898	630,924	152,776	-	-	1,683	24,576	74	(5,219,931)	-
Total Other Assets	4,409,898	630,924	152,776	-	-	1,683	2,228,329	410,878	(5,219,931)	2,614,557
	\$ 4,506,336	\$ 41,964,685	\$ 470,762	\$ 203,839	\$ 101,657	\$ 1,948,294	\$ 13,751,051	\$ 5,375,304	\$ (5,219,931)	\$ 63,101,997
LIABILITIES AND NET ASSETS (DEFICIT)										
Current Liabilities										
Accounts payable and accrued expenses	\$ 655,940	\$ 6,321,733	\$ 49,427	\$ -	\$ 8,211	\$ 205,616	\$ 540,178	\$ 429,033	\$ -	\$ 8,210,138
Accrued compensation	186,758	1,417,886	-	-	7,727	30,917	140,452	22,733	-	1,806,473
Advances from government agencies	-	9,025,098	-	-	-	-	-	-	-	9,025,098
Deferred revenue	-	-	-	-	-	509,757	999,175	508,907	-	2,017,839
Loans and notes payable and line of credit, current maturities	-	1,245,572	-	-	-	-	-	-	-	1,245,572
Operating lease liabilities, current portion	-	1,395,342	-	-	-	-	-	-	-	1,395,342
Due to government agencies, current portion	-	2,051,891	3,931,870	-	-	-	-	-	-	5,983,761
Total Current Liabilities	842,698	21,457,522	3,981,297	-	15,938	746,290	1,679,805	960,673	-	29,684,223
Long-term Liabilities										
Accrued interest payable	-	-	-	-	-	-	992,566	534,067	-	1,526,633
Loans and notes payable and line of credit, net of current maturities	-	17,119,981	-	-	-	-	12,527,041	4,961,337	-	34,608,359
Operating lease liabilities, net of current portion	-	3,195,064	-	-	-	-	-	-	-	3,195,064
Tenant security deposits liability	-	-	-	-	-	35,295	56,860	10,591	-	102,746
Due to affiliates	-	2,931,395	159	198,406	21,861	358,423	1,284,451	425,236	(5,219,931)	-
Due to government agencies, net of current portion	-	4,043,164	-	-	-	-	-	-	-	4,043,164
Total Long-Term Liabilities	-	27,289,604	159	198,406	21,861	393,718	14,860,918	5,931,231	(5,219,931)	43,475,966
Total Liabilities	842,698	48,747,126	3,981,456	198,406	37,799	1,140,008	16,540,723	6,891,904	(5,219,931)	73,160,189
Net Assets (Deficit)										
Without donor restrictions	3,663,638	(6,782,441)	(3,510,694)	5,433	63,858	808,286	(2,789,672)	307,987	-	(8,233,605)
Non-controlling interest	-	-	-	-	-	-	-	(1,824,587)	-	(1,824,587)
Total Net Assets (Deficit)	3,663,638	(6,782,441)	(3,510,694)	5,433	63,858	808,286	(2,789,672)	(1,516,600)	-	(10,058,192)
	\$ 4,506,336	\$ 41,964,685	\$ 470,762	\$ 203,839	\$ 101,657	\$ 1,948,294	\$ 13,751,051	\$ 5,375,304	\$ (5,219,931)	\$ 63,101,997

See independent auditors' report

Lutheran Social Services of New York, Inc. and Subsidiaries
Consolidating Schedule of Activities and Changes in Net Assets (Deficit)
Year Ended June 30, 2025

	LSSNY	LSSMNY	The New LIFE School	LDRNY	LFCS	Bergen	Muhlenberg and Related Entity	St. John's and Related Entities	Eliminations	Total
SUPPORT AND REVENUE										
Government grants and contracts	\$ -	\$ 62,037,109	\$ -	\$ -	\$ 215,789	\$ 1,197,859	\$ 3,253,908	\$ 1,240,619	\$ -	\$ 67,945,284
Medical assurance and life care clinic fees	-	1,029,961	-	-	-	-	-	-	-	1,029,961
Parent fees	-	46,943	-	-	-	-	-	-	-	46,943
Contributions	192,535	394,882	-	8,672	94,688	-	-	-	-	690,777
Rental revenue	-	-	-	-	-	525,010	1,435,062	746,761	-	2,706,833
Other revenue	<u>5,584,242</u>	<u>166,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,417</u>	<u>31,135</u>	<u>37,558</u>	<u>(5,501,858)</u>	<u>349,613</u>
Total Support and Revenue	<u>5,776,777</u>	<u>63,675,014</u>	<u>-</u>	<u>8,672</u>	<u>310,477</u>	<u>1,755,286</u>	<u>4,720,105</u>	<u>2,024,938</u>	<u>(5,501,858)</u>	<u>72,769,411</u>
EXPENSES										
Program Services										
Education services	-	20,829,329	-	-	-	-	-	-	-	20,829,329
Foster care and children's services	-	9,965,361	-	-	-	-	-	-	-	9,965,361
Shelter services	-	12,251,737	-	-	-	-	-	-	-	12,251,737
Residential services	16,685	2,329,220	-	-	-	1,363,882	4,757,578	1,831,266	-	10,298,631
Community services and other programs	<u>1,629</u>	<u>12,727,845</u>	<u>-</u>	<u>-</u>	<u>224,258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,953,732</u>
Total Program Services	<u>18,314</u>	<u>58,103,492</u>	<u>-</u>	<u>-</u>	<u>224,258</u>	<u>1,363,882</u>	<u>4,757,578</u>	<u>1,831,266</u>	<u>-</u>	<u>66,298,790</u>
Support Services										
Management and general	5,045,714	7,165,871	-	-	25,293	313,135	1,187,884	483,435	(5,501,858)	8,719,474
Fundraising	<u>93,747</u>	<u>35,770</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>129,517</u>
Total Support Services	<u>5,139,461</u>	<u>7,201,641</u>	<u>-</u>	<u>-</u>	<u>25,293</u>	<u>313,135</u>	<u>1,187,884</u>	<u>483,435</u>	<u>(5,501,858)</u>	<u>8,848,991</u>
Total Expenses	<u>5,157,775</u>	<u>65,305,133</u>	<u>-</u>	<u>-</u>	<u>249,551</u>	<u>1,677,017</u>	<u>5,945,462</u>	<u>2,314,701</u>	<u>(5,501,858)</u>	<u>75,147,781</u>
Change in Net Assets (Deficit) Before Other Changes	619,002	(1,630,119)	-	8,672	60,926	78,269	(1,225,357)	(289,763)	-	(2,378,370)
OTHER CHANGES										
Change in cash surrender value of annuity contract	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,003</u>	<u>-</u>	<u>-</u>	<u>45,003</u>
Change in Net Assets (Deficit)	619,002	(1,630,119)	-	8,672	60,926	78,269	(1,180,354)	(289,763)	-	(2,333,367)
CHANGES IN NET ASSETS (DEFICIT)										
Beginning of year	<u>3,663,638</u>	<u>(6,782,441)</u>	<u>(3,510,694)</u>	<u>5,433</u>	<u>63,858</u>	<u>808,286</u>	<u>(2,789,672)</u>	<u>(1,516,600)</u>	<u>-</u>	<u>(10,058,192)</u>
End of year	<u>\$ 4,282,640</u>	<u>\$ (8,412,560)</u>	<u>\$ (3,510,694)</u>	<u>\$ 14,105</u>	<u>\$ 124,784</u>	<u>\$ 886,555</u>	<u>\$ (3,970,026)</u>	<u>\$ (1,806,363)</u>	<u>\$ -</u>	<u>\$ (12,391,559)</u>

See independent auditors' report

Lutheran Social Services of New York, Inc. and Subsidiaries

Consolidating Schedule of Activities and Changes in Net Assets (Deficit)
Year Ended June 30, 2024

	LSSNY	LSSMNY	The New LIFE School	LDRNY	LFCS	Bergen	Muhlenberg and Related Entity	St. John's and Related Entities	Eliminations	Total
SUPPORT AND REVENUE										
Government grants and contracts	\$ -	\$ 53,708,464	\$ -	\$ -	\$ 229,003	\$ 1,301,296	\$ 3,102,913	\$ 1,313,615	\$ -	\$ 59,655,291
Medical assurance and life care clinic fees	-	892,037	-	-	-	-	-	-	-	892,037
Tuition fees	-	-	839,913	-	-	-	-	-	-	839,913
Parent fees	-	46,606	-	-	-	-	-	-	-	46,606
Contributions	150,097	345,144	-	4,199	32,793	-	-	-	-	532,233
Rental revenue	-	271,592	60,000	-	-	483,031	1,420,625	704,188	(331,592)	2,607,844
Donated services and supplies	-	32,395	-	1,200	-	-	-	-	-	33,595
Other revenue	4,465,937	656,308	175,745	-	1,142	52,522	131,435	41,389	(4,419,431)	1,105,047
Prior year rate adjustments	-	-	(2,051,013)	-	-	-	-	-	-	(2,051,013)
Total Support and Revenue	<u>4,616,034</u>	<u>55,952,546</u>	<u>(975,355)</u>	<u>5,399</u>	<u>262,938</u>	<u>1,836,849</u>	<u>4,654,973</u>	<u>2,059,192</u>	<u>(4,751,023)</u>	<u>63,661,553</u>
EXPENSES										
Program Services										
Education services	-	20,953,053	1,147,976	-	-	-	-	-	(331,592)	21,769,437
Foster care and children's services	-	9,364,877	-	-	-	-	-	-	-	9,364,877
Shelter services	-	7,454,660	-	-	-	-	-	-	-	7,454,660
Residential services	-	2,328,266	-	-	-	1,309,454	4,122,621	1,930,706	-	9,691,047
Community services and other programs	-	12,290,913	-	-	215,617	-	-	-	-	12,506,530
Total Program Services	<u>-</u>	<u>52,391,769</u>	<u>1,147,976</u>	<u>-</u>	<u>215,617</u>	<u>1,309,454</u>	<u>4,122,621</u>	<u>1,930,706</u>	<u>(331,592)</u>	<u>60,786,551</u>
Support Services										
Management and general	4,924,580	5,520,791	103,745	-	26,929	281,299	1,118,908	526,145	(4,419,431)	8,082,966
Fundraising	260,008	40,001	-	-	-	-	-	-	-	300,009
Total Support Services	<u>5,184,588</u>	<u>5,560,792</u>	<u>103,745</u>	<u>-</u>	<u>26,929</u>	<u>281,299</u>	<u>1,118,908</u>	<u>526,145</u>	<u>(4,419,431)</u>	<u>8,382,975</u>
Total Expenses	<u>5,184,588</u>	<u>57,952,561</u>	<u>1,251,721</u>	<u>-</u>	<u>242,546</u>	<u>1,590,753</u>	<u>5,241,529</u>	<u>2,456,851</u>	<u>(4,751,023)</u>	<u>69,169,526</u>
Change in Net Assets (Deficit) Before Other Changes	<u>(568,554)</u>	<u>(2,000,015)</u>	<u>(2,227,076)</u>	<u>5,399</u>	<u>20,392</u>	<u>246,096</u>	<u>(586,556)</u>	<u>(397,659)</u>	<u>-</u>	<u>(5,507,973)</u>
OTHER CHANGES										
Change in cash surrender value of annuity contract	-	-	-	-	-	-	43,755	-	-	43,755
Change in Net Assets (Deficit)	(568,554)	(2,000,015)	(2,227,076)	5,399	20,392	246,096	(542,801)	(397,659)	-	(5,464,218)
CHANGES IN NET ASSETS (DEFICIT)										
Beginning of year	<u>4,232,192</u>	<u>(4,782,426)</u>	<u>(1,283,618)</u>	<u>34</u>	<u>43,466</u>	<u>562,190</u>	<u>(2,246,871)</u>	<u>(1,118,941)</u>	<u>-</u>	<u>(4,593,974)</u>
End of year	<u>\$ 3,663,638</u>	<u>\$ (6,782,441)</u>	<u>\$ (3,510,694)</u>	<u>\$ 5,433</u>	<u>\$ 63,858</u>	<u>\$ 808,286</u>	<u>\$ (2,789,672)</u>	<u>\$ (1,516,600)</u>	<u>\$ -</u>	<u>\$ (10,058,192)</u>

See independent auditors' report