



Consolidated Financial Statements
and Auditors' Report
*at 30 June 2024 and 2023 and
for the years then ended*

| Consolidated Balance Sheets | | | |
|---|-----------------------|-----------|--------------------|
| at 30 June | 2024 | | 2023 |
| Assets | | | |
| Cash & equivalents | \$ 2,040,048 | \$ | 2,671,720 |
| Cash - Replacement reserve | 1,426,221 | | 1,283,940 |
| Cash - Security deposits received | 31,162 | | 34,134 |
| Total cash | 3,497,431 | | 3,989,794 |
| Accounts receivable, net of allowance of \$ 902,535 and \$309,716 | 5,013,727 | | 8,361,693 |
| Investments | 12,044,251 | | 10,646,206 |
| Financial assets | 20,555,409 | | 22,997,693 |
| Prepaid expenses & other assets | 192,868 | | 546,703 |
| Security deposits paid | 964,795 | | 775,527 |
| Property & equipment | 88,615,116 | | 87,868,410 |
| | <u>\$ 110,328,188</u> | <u>\$</u> | <u>112,188,333</u> |
| Liabilities | | | |
| Accounts payable & accrued expenses | \$ 1,924,010 | \$ | 2,014,690 |
| Accrued compensation | 2,194,900 | | 2,256,801 |
| Deferred revenue | 1,798,570 | | 5,732,969 |
| Due to governmental funders | 8,486,685 | | 6,103,896 |
| Liability for pension benefits | 1,242,229 | | 3,978,285 |
| Operating lease liabilities | 8,363,289 | | 7,665,355 |
| Mortgages and loans | 637,593 | | 1,889,648 |
| Nonrecourse mortgages | 23,612,756 | | 22,035,784 |
| Deferred construction funding | 15,311,145 | | 16,157,925 |
| Security deposits received | 31,162 | | 34,134 |
| | <u>63,602,339</u> | | <u>67,869,487</u> |
| Net assets | | | |
| Without donor restrictions | 40,594,335 | | 33,261,232 |
| Board designations | 736,548 | | 1,933,252 |
| | <u>41,330,883</u> | | <u>35,194,484</u> |
| With donor restrictions | 151,887 | | 143,698 |
| Noncontrolling interest | 5,243,079 | | 8,980,664 |
| | <u>46,725,849</u> | | <u>44,318,846</u> |
| | <u>\$ 110,328,188</u> | <u>\$</u> | <u>112,188,333</u> |

| Consolidated Statements of Activities and Changes in Net Assets without Donor Restrictions for the years ended 30 June | | | |
|---|----------------------|-----------|-------------------|
| | 2024 | | 2023 |
| Operating revenue: | | | |
| Fees for services | \$ 12,080,746 | \$ | 11,627,501 |
| Government contracts | 24,773,373 | | 23,346,128 |
| Client resident fees | 2,703,438 | | 2,632,154 |
| Rents | 2,590,313 | | 2,208,947 |
| Developer's fees | - | | 1,957,401 |
| Other program income | 101,967 | | 90,983 |
| | <u>42,249,837</u> | | <u>41,863,114</u> |
| Operating expense: | | | |
| Outpatient services | 4,378,442 | | 4,182,690 |
| Community residences | 7,162,548 | | 6,936,470 |
| Supportive housing | 23,908,568 | | 21,692,467 |
| Case management | 3,310,107 | | 3,537,765 |
| Administration | 4,183,127 | | 3,666,095 |
| | <u>42,942,792</u> | | <u>40,015,487</u> |
| Operating (loss) income | <u>(692,955)</u> | | <u>1,847,627</u> |
| Public support: | | | |
| Special event income | 110,620 | | 73,144 |
| Special event expense | (64,102) | | (48,513) |
| | <u>46,518</u> | | <u>24,631</u> |
| Grants & contributions | 616,338 | | 1,274,098 |
| Fundraising expense | (133,483) | | (88,839) |
| | <u>529,373</u> | | <u>1,209,890</u> |
| Net assets without donor restrictions: | | | |
| Change | <u>(163,582)</u> | | <u>3,057,517</u> |
| Investments | 1,516,489 | | 1,106,682 |
| Pension liability adjustment | 2,926,140 | | 66,961 |
| Non-service net periodic pension cost | (184,895) | | (158,133) |
| Change in prior year contracts | 571,281 | | 1,360,193 |
| Net grants & fees from construction | 865,772 | | 835,446 |
| Depreciation & amortization | (3,132,391) | | (2,843,625) |
| Beginning of year | 35,194,484 | | 27,718,897 |
| Limited partners' share of losses | 3,737,585 | | 4,050,546 |
| End of year | <u>\$ 41,330,883</u> | <u>\$</u> | <u>35,194,484</u> |

The accompanying footnotes are an integral part of these financial statements.

Consolidated Statement of Functional Expenses
for the year ended 30 June 2024

| | Outpatient Services | Community Residences | Supportive housing | Case management | Total program services | Administration | Total |
|-----------------------------|------------------------|-------------------------|-----------------------|---------------------|---------------------------|---------------------|----------------------|
| Staff salaries | \$ 2,364,871 | \$ 4,568,423 | \$ 8,532,223 | \$ 2,196,255 | \$ 17,661,772 | \$ 2,257,708 | \$ 19,919,480 |
| Employee benefits | 501,103 | 1,047,377 | 1,854,068 | 528,390 | 3,930,938 | 425,935 | 4,356,873 |
| | <u>2,865,974</u> | <u>5,615,800</u> | <u>10,386,291</u> | <u>2,724,645</u> | <u>21,592,710</u> | <u>2,683,643</u> | <u>24,276,353</u> |
| Occupancy | 540,538 | 574,536 | 9,975,383 | 205,323 | 11,295,780 | 67,099 | 11,362,879 |
| Professional fees | 545,779 | - | 160,145 | 26,173 | 732,097 | 536,543 | 1,268,640 |
| Food | 1,317 | 1,677 | 2,415 | 47 | 5,456 | 13,362 | 18,818 |
| Client expenses | 112,326 | 277,910 | 872,360 | 25,347 | 1,287,943 | 86 | 1,288,029 |
| Equipment & furnishings | 13,779 | 208,241 | 443,442 | 14,568 | 680,030 | 51,457 | 731,487 |
| Travel & transportation | 3,365 | 15,366 | 75,867 | 35,288 | 129,886 | 24,049 | 153,935 |
| Miscellaneous | 62,797 | 48,268 | 175,260 | 43,606 | 329,931 | 393,091 | 723,022 |
| Insurance | 63,649 | 130,962 | 558,840 | 81,181 | 834,632 | 113,916 | 948,548 |
| Supplies | 42,778 | 139,861 | 199,429 | 13,446 | 395,513 | 110,067 | 505,580 |
| Communication | 126,140 | 149,927 | 455,389 | 140,483 | 871,940 | 95,571 | 967,511 |
| Interest | - | - | 603,747 | - | 603,747 | 94,243 | 697,990 |
| Operating expenses | <u>4,378,442</u> | <u>7,162,548</u> | <u>23,908,568</u> | <u>3,310,107</u> | <u>38,759,665</u> | <u>4,183,127</u> | <u>42,942,792</u> |
| Depreciation & amortization | <u>12,186</u> | <u>294,625</u> | <u>2,726,290</u> | <u>34,787</u> | <u>3,067,888</u> | <u>64,503</u> | <u>3,132,391</u> |
| | <u>\$ 4,390,628</u> | <u>\$ 7,457,173</u> | <u>\$ 26,634,858</u> | <u>\$ 3,344,894</u> | <u>\$ 41,827,553</u> | <u>\$ 4,247,630</u> | <u>\$ 46,075,183</u> |

Consolidated Statement of Functional Expenses
for the year ended 30 June 2023

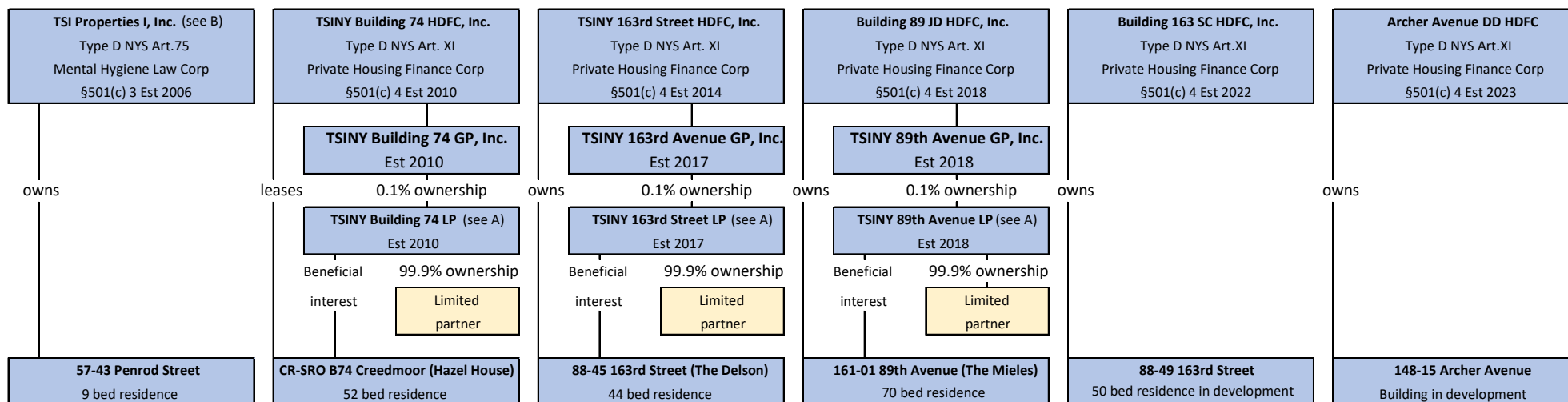
| | Outpatient services | Community residences | Supportive housing | Case management | Total program services | Administration | Total |
|-----------------------------|------------------------|-------------------------|-----------------------|---------------------|---------------------------|---------------------|----------------------|
| Staff salaries | \$ 2,255,612 | \$ 4,362,112 | \$ 7,452,018 | \$ 2,286,606 | \$ 16,356,348 | \$ 1,916,339 | \$ 18,272,687 |
| Employee benefits | 500,909 | 1,009,756 | 1,735,978 | 561,753 | 3,808,396 | 530,949 | 4,339,345 |
| | <u>2,756,521</u> | <u>5,371,868</u> | <u>9,187,996</u> | <u>2,848,359</u> | <u>20,164,744</u> | <u>2,447,288</u> | <u>22,612,032</u> |
| Occupancy | 546,995 | 679,753 | 8,674,785 | 245,761 | 10,147,294 | 57,547 | 10,204,841 |
| Professional fees | 467,866 | 28,892 | 185,597 | 44,019 | 726,374 | 381,662 | 1,108,036 |
| Food | 1,029 | 498 | 4,779 | 184 | 6,490 | 8,140 | 14,630 |
| Client expenses | 99,496 | 274,909 | 731,929 | 53,702 | 1,160,036 | - | 1,160,036 |
| Equipment & furnishings | 30,878 | 182,762 | 500,419 | 28,598 | 742,657 | 115,728 | 858,385 |
| Travel & transportation | 1,338 | 9,904 | 53,471 | 56,197 | 120,910 | 19,556 | 140,466 |
| Miscellaneous | 64,259 | 46,712 | 194,870 | 47,071 | 352,912 | 172,753 | 525,665 |
| Insurance | 62,394 | 165,729 | 493,940 | 71,738 | 793,801 | 128,852 | 922,653 |
| Supplies | 44,052 | 98,191 | 258,756 | 14,349 | 415,348 | 110,592 | 525,940 |
| Communication | 107,862 | 77,252 | 478,682 | 127,787 | 791,583 | 83,269 | 874,852 |
| Interest | - | - | 927,243 | - | 927,243 | 140,708 | 1,067,951 |
| Operating expenses | <u>4,182,690</u> | <u>6,936,470</u> | <u>21,692,467</u> | <u>3,537,765</u> | <u>36,349,392</u> | <u>3,666,095</u> | <u>40,015,487</u> |
| Depreciation & amortization | <u>8,581</u> | <u>255,401</u> | <u>2,537,669</u> | <u>19,155</u> | <u>2,820,806</u> | <u>22,819</u> | <u>2,843,625</u> |
| | <u>\$ 4,191,271</u> | <u>\$ 7,191,871</u> | <u>\$ 24,230,136</u> | <u>\$ 3,556,920</u> | <u>\$ 39,170,198</u> | <u>\$ 3,688,914</u> | <u>\$ 42,859,112</u> |

| Consolidated Statements of Changes in Net Assets | | | |
|--|----|-------------|---------------|
| With Donor Restrictions and Noncontrolling interest | | | |
| for the years ended 30 June | | 2024 | 2023 |
| Activity with donor restrictions | | | |
| Contributions | \$ | 8,189 | \$ 8,493 |
| Balance: | | | |
| Beginning of year | | 143,698 | 135,205 |
| End of year | \$ | 151,887 | \$ 143,698 |
| Noncontrolling interest | | | |
| Contributions | \$ | - | \$ 12,391,890 |
| Limited partners' share of losses | | (3,737,585) | (4,050,546) |
| Balance: | | | |
| Beginning of year | | 8,980,664 | 639,320 |
| End of year | \$ | 5,243,079 | \$ 8,980,664 |

The accompanying footnotes are an integral part of these financial statements.

| CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 30 JUNE | | 2024 | 2023 | | | 2024 | 2023 |
|--|----|-------------|--------------|--|----|--------------|--------------|
| Cash flows from operating activities: | | | | Cash flows from investing activities: | | | |
| Change in net assets | \$ | 2,407,003 | \$ 3,433,534 | Purchases of property and equipment | | (3,088,599) | (14,285,535) |
| Adjustments to reconcile the change in net assets to net cash flows from operating activities: | | | | Sales of investments | | 1,934,743 | 2,719,206 |
| Contributions received for endowment | | (8,189) | (8,493) | Purchases of investments | | (2,128,250) | (3,149,666) |
| Grants revenue for capital construction | | (865,772) | (835,446) | Net cash flows from investing activities | | (3,282,106) | (14,715,995) |
| Depreciation expense | | 3,105,558 | 2,827,592 | Cash flows from financing activities: | | | |
| Liability for pension benefits | | (2,736,056) | 614,841 | Capital contributions received | | - | 12,391,890 |
| Amortization on financing costs | | 26,833 | 16,034 | Net grants and fees for construction | | 865,772 | 835,446 |
| Net accretion of leases | | (65,731) | 122,699 | Proceeds from mortgages | | - | 1,678,729 |
| Net realized and unrealized gains | | (1,204,538) | (882,938) | Repayment of mortgages | | (1,278,888) | (784,752) |
| Changes in operating assets & liabilities: | | | | Proceeds from nonrecourse mortgages | | 1,637,625 | - |
| Decrease (increase) in assets: | | | | Repayment of nonrecourse mortgages | | (60,653) | (1,655,186) |
| Accounts receivable | | 3,347,966 | (3,252,086) | Repayment of deferred construction financing | | (846,780) | (817,607) |
| Prepaid expenses & other assets | | 353,835 | (334,151) | Endowment contributions received | | 8,189 | 8,493 |
| Security deposits | | (192,240) | (87,544) | Payment of deferred financing costs | | - | (57,214) |
| (Decrease) increase in liabilities: | | | | Net cash flow from financing activities | | 325,265 | 11,599,799 |
| Accounts payable & accrued expenses | | (90,680) | (1,128,885) | Net change in cash and cash equivalents | | (492,363) | 1,016,586 |
| Accrued compensation | | (61,901) | 257,915 | Cash and Cash Equivalents, Beginning | | 3,989,794 | 2,973,208 |
| Deferred revenue | | (3,934,399) | 1,986,189 | Cash and Cash Equivalents, Ending | | \$ 3,497,431 | \$ 3,989,794 |
| Due to governmental funders | | 2,382,789 | 1,403,521 | Supplemental disclosures: | | | |
| Net cash flows from operating activities | | 2,464,478 | 4,132,782 | Cash paid for interest | \$ | 671,158 | \$ 429,028 |

The accompanying footnotes are an integral part of these financial statements.



A Funding for purchase and refurbishment of the residence was provided through the sale of federal low-income tax credits to commercial investors. The interest of the limited partners is shown in the financial statements as Noncontrolling interest

B Classified as a publicly-supported organization as defined in §509(a)(2) of the Internal Revenue Code

1 Organization and Nature of Activities

Transitional Services for New York, Inc. ("TSINY") develops facilities for and provides housing to those with low incomes, operates community residences and supported housing programs and provides other outpatient, day training, vocational, rehabilitation and clinical services to the mentally disabled. These financial statements present the consolidated financial position and changes in net assets and of cash flows of TSINY. TSINY's sub-entities and control structures are shown in the table included above.

In 2022 TSINY created Building 163 SC HDFC, Inc. to develop a residence for use in its Supported housing program. In 2023 TSINY created Archer Avenue DD HDFC, Inc. to develop a multi-use building for use in its supported housing and other programs. Bridge financing has been obtained for the purchase of these properties. Construction funding is intended to be provided through the sale of federal low-income housing tax credits to commercial investors.

2 Summary of significant accounting policies

A. These statements have been prepared on the accrual basis. In their preparation, TSINY follows accounting principles and reporting requirements that are generally accepted for not-for-profit entities in the United States of America (GAAP).

B. TSINY reports unconditional contributions as unrestricted support unless received with donor stipulations that limit the use of the donated assets.

C. TSINY earns fees from third-party reimbursement agencies for services provided

to clients. Revenues from these fees are based on predetermined rates and are subject to audit and retroactive adjustment. The effects of any such adjustments are recorded when they are reasonably determinable.

D. In accordance with Financial Accounting Standards Board (FASB) Accounting Standards Update ("ASU") 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* many government contracts are considered conditional contributions and are earned based on allowable costs incurred. Reimbursements for prior year contracts are sometimes adjusted in the current year for circumstances not known at the close of the prior year. Such adjustments might be due to funder audit findings, post-completion awards of additional funds, rate appeal results, and other matters.

E. Because TSINY operates multiple programs and receives funding from multiple sources, costs have been allocated to programs in accordance with various methods used in reporting its activities to its funders. Bases for these allocations include proportional consumer census, employee wages and salaries, and facility square footage.

F. TSINY considers all unencumbered highly liquid instruments with original maturities of 90 days or less to be cash or equivalents.

G. In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has

issued several updates to the original ASU. The CECL methodology utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On 1 July, 2023, TSINY adopted the ASU using the modified retrospective transition approach. There was no adjustment to net assets upon adoption. TSINY has not restated comparative information for the prior year and, therefore, the comparative information for 2023 is reported under the old model and is not comparable to the information presented for 2024. The allowance for credit losses was \$648,917 as of 30 June 2024.

H. TSINY provides an allowance for current uncollectible accounts arising from nonreciprocal revenue transactions based upon management’s evaluation of the current record of its debtors and current economic conditions. The allowance for doubtful accounts was \$253,618 and \$309,716 as of 30 June 2024 and 2023, respectively.

I. TSINY reports investments at quoted market values which are all level 1 measurements under the hierarchy established under Accounting Standards Codification §820 – *Fair Value Measurements*.

J. Property and equipment is stated at cost less accumulated depreciation. These amounts do not purport to represent replacement or realizable values. TSINY capitalizes individual pieces of property and equipment with a cost of \$5,000 or more and a useful life of two years or more. Right-of-use operating leases include unowned residential and business facilities with terms of more than 12 months. Depreciation is provided on a straight-line basis over the estimated useful life of the asset. Leasehold improvements are amortized over the shorter of the useful life of the improvement or the remaining term of the lease.

K. TSINY reports its liability for employee’s vacation time earned, but not yet used in these financial statements. The cumulative expense charged to operations is included in reimbursable costs reported to funders in subsequent periods along with the associated income when the vacation time is used by the employee and paid by TSINY.

L. Cash – replacement reserves are set aside as required by various contracts to fund approved capital costs for certain properties.

M. Due to Governmental Funders consists of over and under reimbursements made by funders and outstanding settlements of contractual obligations.

N. Developer’s fees are earned as determined by agreements reached with the limited partners funding those projects. The Board of TSINY has determined that cash received for such fees is to be designated for specific purposes identified by the Board – primarily for continuing residential facility development.

O. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses reported during the period. Actual results could differ from those estimates.

P. Effective 1 July, 2022, TSINY adopted FASB ASU No. 2016-02 *Leases (Topic 842)*, as amended using the modified retrospective approach. The new standard requires lessees to recognize lease right-of-use (“ROU”) assets and lease liabilities on the consolidated balance sheet for all leases with a lease term of more than 12 months.

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 non-cancelable lease term. Expenses for finance leases are comprised of the

amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

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

- TSINY does not separate lease and nonlease components for its real property class of assets.
- When the rate implicit in the lease is not determinable, rather than use TSINY's incremental borrowing rate, TSINY uses a risk-free discount rate for the initial and subsequent measurement of lease liabilities for all leases.
- TSINY does not apply the recognition requirements to all leases with an original term of 12 months or less, for which TSINY is not likely to exercise a renewal option or purchase the asset at the end of the lease term; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Q. For comparability, certain 2023 amounts have been reclassified to conform with classifications adopted in 2024. The reclassifications have no effect on reported amounts of net assets or changes in net assets.

3 Concentrations & liquidity

Financial instruments

Cash accounts at financial institutions more than FDIC insurance limits could expose TSINY to a concentration of credit risk.

Contracts

TSINY receives much of its revenue from contracts with New York State and New York City agencies.

Liquidity

TSINY monitors its cash position daily, striving to maintain sufficient liquidity to meet its operating needs and other contractual commitments and to maximize the yield from its investable funds.

An analysis of financial assets available at 30 June is as follows:

| | 2024 | 2023 |
|---|--------------|--------------|
| Financial assets at year end | \$20,555,409 | \$22,997,693 |
| Board designated net assets | (736,548) | (1,933,252) |
| Restricted by donors or contract as to use | (1,609,271) | (1,461,772) |
| Financial assets available to meet short-term needs | \$18,209,590 | \$19,602,669 |

4 Revenue from consumers

Fees for services

In 2021, TSINY adopted ASU No. 2014-09 *Revenue from Contracts with Customers (Topic 606)*. The most significant impact of adopting this standard is that Fee for services revenue, representing revenues for services provided to consumers, is presented net of implicit price concessions in the Consolidated Statements of Activities and Net Assets without Donor Restrictions.

Client resident fees

Such fees are charged to consumers, usually monthly, for services provided while they reside in TSINY residential facilities. These fees are primarily supported by SSI/SSA and other sources of consumer income.

The standard requires disaggregated disclosure of the components of Fee for services revenue for the years ended 30 June as follows:

| | 2024 | 2023 |
|-----------------------|---------------------|---------------------|
| Medicaid | \$8,480,876 | \$8,547,053 |
| Medicaid Managed Care | 2,919,230 | 2,433,440 |
| Medicare | 619,394 | 615,891 |
| Other sources | 61,246 | 31,117 |
| Total | \$12,080,746 | \$11,627,501 |

Accounts receivable as of the beginning and end of the years ending 30 June 2024 and 2023 are as follows:

| | 1 July 2022 | 30 June 2023 | 30 June 2024 |
|---------------------|--------------|--------------|--------------|
| Accounts receivable | \$ 1,472,401 | \$ 947,180 | \$ 1,141,778 |

TSINY recognized an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected as of the balance sheet date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events based on our expectation as of the consolidated balance sheet date. Receivables are written off when TSINY determined that such receivables are deemed uncollectible. TSINY pooled its receivables 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, TSINY measured those receivables individually. TSINY also continuously evaluates such pooling decisions and adjusts as needed from period to period as risk characteristics change.

TSINY utilizes the loss rate method in determining its lifetime expected credit losses on its receivables. This method is used for calculating an estimate of losses based primarily on TSINY historical loss experience. In determining its loss rates, TSINY evaluated the 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 all the following past due receivables, the customer creditworthiness, changes in the terms of receivables, effect of other external forces such as competition, and legal and regulatory requirements on the level of estimated credit losses in the existing receivables. For receivables that are not expected to be collected within the normal business cycle, TSINY considers current and forecasted direction of the economic and business environment. Such forecasted information includes GDP growth, unemployment rates and interest rates amongst others.

5 Net assets with donor restrictions

TSINY solicits funds with the specific understanding that the gifts will be invested and only the income from those gifts expended for the general operations of TSINY. These gifts

are commingled with other investments. Spending from endowments by a not-for-profit corporation in New York State is currently governed by the New York Prudent Management of Institutional Funds Act (NYPMIFA), enacted in 2010. TSINY interprets NYPMIFA as requiring that, unless the donor specifies otherwise, the total historical dollar value of contributions with such donor restrictions be maintained as the minimum fair value of the endowment. At 30 June 2024 and 2023 TSINY exceeded this threshold by \$11,892,364 and \$10,502,508, respectively.

6 Investments

Investments consisted of the following at 30 June:

| | 2024 | 2023 |
|----------------------------|---------------------|---------------------|
| Mutual funds- Fixed income | \$3,334,678 | \$3,145,154 |
| Mutual funds- Equities | 8,709,573 | 7,501,052 |
| | \$12,044,251 | \$10,646,206 |

Investment results for the years ended 30 June were as follows:

| | 2024 | 2023 |
|----------------------------|---------------------|---------------------|
| Opening balance | \$10,646,206 | \$9,332,807 |
| (Withdrawals)/deposits | (59,300) | 110,683 |
| Security transfers in | - | 535,226 |
| Purchases | 2,128,250 | 2,503,758 |
| Sales | (1,875,443) | (2,719,206) |
| Realized net gain | 94,008 | (45,099) |
| Unrealized net gain/(loss) | 1,110,530 | 928,037 |
| | \$12,044,251 | \$10,646,206 |

Investment income for 2024 and 2023 included \$269,336 and \$222,842, respectively, in interest and dividends. Investments are subject to market volatility which could change their carrying value in the near term.

7 Nonrecourse mortgages

Nonrecourse mortgages are debts assumed by partnerships controlled by TSINY secured only by the specific assets covered by the respective agreement.

In May 2023, Archer Avenue DD HDFC arranged a \$ 10 million loan from the Corporation for Supported Housing at an interest rate of 6.75%, giving a security interest in the real property that was then purchased to develop low income housing units and office space for use by TSINY. This loan will be due and replaced by permanent funding as development continues. The balance at 30 June 2024 and 2023 was \$8,754,681 and \$8,029,003 respectively.

In May 2022, Building 163 SC HDFC, Inc. arranged a \$2.7 million loan from the Corporation for Supported Housing, at an interest rate of 4.37%, giving a security interest in the real property that was then purchased, to develop a 50 bed residential facility. This loan will be due and replaced by permanent funding as development continues. The balance at 30 June 2024 and 2023 was \$3,041,370 and \$2,837,983 respectively.

In June 2019, TSINY 89th Avenue LP arranged a maximum debt facility of \$21,667,805 from a bank giving a mortgage and security interest in real property, including a building being constructed in Jamaica, New York. The due dates of these mortgages, originally June 2022, were extended to June 2023 at an interest rate of 2.1145% over one-month SOFR. These mortgages were replaced by permanent financing in June 2023 when construction was completed as TSINY 89th Avenue LP entered into mortgage agreements secured by the property with The Community Preservation Corporation (“CPC”) and New York City’s Department of Housing Preservation and Development (“HPD”) in the amounts of \$5,137,300 and \$6,531,498 respectively. The CPC mortgage bears interest at an annual rate of 6.21%. The annual interest rate on the HPD mortgage is 3.15%. The CPC loan balance at 30 June 2024 and 2023 was \$5,076,647 and \$5,137,300 respectively. The HPD loan balance at 30 June 2024 and 2023 was \$6,740,058 and \$6,031,498 respectively.

8 Property & equipment

Property & equipment consisted of the following at 30 June:

| | 2024 | 2023 | Est useful lives |
|-------------------------------|--------------|--------------|---------------------|
| Land | \$5,375,069 | \$5,375,063 | |
| Works of art | 41,849 | 41,849 | |
| Buildings & improvements | 55,215,919 | 53,410,823 | 40 years |
| Co-op apartments | 148,000 | 148,000 | 40 years |
| Right-of-use operating leases | 8,306,321 | 7,542,656 | |
| Leasehold improvements | 20,233,833 | 21,835,350 | 20-50 years |
| Furniture & Equipment | 7,120,851 | 7,247,783 | 5 years |
| Construction in progress | 15,605,251 | 13,000,239 | |
| | 112,047,093 | 108,601,763 | |
| Accumulated depreciation | 23,431,977 | 20,733,353 | |
| | \$88,615,116 | \$87,868,410 | |

These balances do not include remaining construction contract commitments of \$10,251,666 as of 30 June 2024.

9 Mortgages & loans

Mortgages and loans are debts assumed by TSINY secured by its general assets. Terms on such outstanding debts at 30 June were as follows:

| Origination | | 2024 | 2023 | Rate | Monthly | Due |
|---------------|-----------|-----------|-------------|-------|---------|-----------|
| 2019 | \$525,000 | \$462,261 | \$476,560 | 4.34% | \$2,892 | 2029 |
| 2015 | 435,000 | 20,371 | 71,782 | 4.15% | 4,452 | 2025 |
| 2023 | 910,000 | 872,303 | 910,000 | 6.80% | 8,152 | 2033 |
| 2014 | 973,000 | 198,047 | 276,948 | 4.61% | 7,502 | 2026 |
| 2023 | 1,096,579 | - | 1,096,579 | 6.75% | N/A | On demand |
| | | 1,552,982 | 2,831,869 | | | |
| Net financing | | (915,389) | (942,221) | | | |
| | | \$637,593 | \$1,889,648 | | | |

Future annual principal payments of these debts are due as of 30 June were as follows:

| | |
|------------|-------------|
| 2025 | \$157,653 |
| 2026 | 144,625 |
| 2027 | 90,696 |
| 2028 | 65,697 |
| 2029 | 69,867 |
| Thereafter | 1,024,444 |
| | \$1,552,982 |

10 Deferred construction financing

These amounts represent income to be recognized in the future associated with construction projects financed or partly financed by the New York State Office of Mental Health (NYSOMH). These mortgages were all issued with the understanding that as long as TSINY used these properties “for charitable purposes benefitting the community mental health service for which this mortgage has been made” no payments would be made to NYSOMH by TSINY and that NYSOMH would make payments to the property’s owner, the Dormitory Authority of the State of New York (DASNY), on TSINY’s behalf.

Renovations of the facilities on Winchester Boulevard by TSINY Building 74LP and on 163 Street by TSINY 163rd Street LP were financed by loans from DASNY and equity investments from partnerships established by TSINY with independent purchasers of federal low-income housing tax credits generated by those projects.

11 Pension

TSINY maintains a qualified defined benefit pension plan (the “Plan”) for all eligible employees. Pension benefits are generally based on years of service and employee’s average compensation. Plan assets consist of mutual funds held by an investment company. The Plan is funded solely through TSINY contributions, which are actuarially determined, and are designed to meet the minimum funding standards of the Employee Retirement Income Security Act of 1974.

Plan activity for years ended 30 June:

| | 2024 | 2023 |
|---|------------|------------|
| Service (included in employee benefits) | \$ 697,355 | \$639,024 |
| Interest | 610,927 | 495,461 |
| Expected asset return | (578,595) | (498,718) |
| Recognized actuarial loss | 153,193 | 161,390 |
| Total pension cost | 882,880 | 797,157 |
| Employer contributions | 882,138 | 844,087 |
| Benefits paid | 687,939 | 282,515 |
| Accumulated benefit obligation | 10,201,710 | 11,863,184 |

Plan funding

The funded status of the Plan and the amounts reflected in TSINY's balance sheets as of 30 June are as follows:

| | 2024 | 2023 |
|------------------------------|---------------|--------------|
| Projected benefit obligation | \$ 11,390,707 | \$12,833,266 |
| Plan assets at fair value | 10,148,478 | 8,854,981 |
| Funding deficit | 1,242,229 | 3,978,285 |
| Accrued pension cost | 730,489 | 736,204 |

Plan assumptions

Considering the historical return on the Plan's assets and the current allocation of those assets, the measurement of the net periodic pension cost was based upon the following weighted-average assumptions:

| | 2024 | 2023 |
|--|-------|-------|
| Discount rate | 5.32% | 4.89% |
| Rate of increase of future compensation levels | 1.25% | 1.25% |
| Expected long-term rate of return on plan assets | 6.00% | 6.00% |

Plan assets

Considering the demographics of the Plan's participants and the Trustee's wish to limit the Plan's investment risk, the Trustees have determined a target allocation of plan assets of 60% equity, 35% fixed-income, and 5% alternative-based investments. This allocation is reviewed periodically by the Trustees.

As of 30 June, assets of the Plan were as follows:

| | 2024 | 2023 |
|------------------------------|-------|--------|
| Mutual funds – Equities | 58.1% | 55.0% |
| Mutual funds – Fixed income | 28.7% | 29.6% |
| Cash and equivalents | 1.1% | 1.2% |
| Amounts due from the sponsor | 12.1% | 14.2% |
| | 100% | 100.0% |

Prospective plan cash flows

TSINY expects to contribute a minimum of \$1,000,000 to the Plan in 2024. The Plan expects to pay the following amounts, which include amounts for services to be provided in the future, as follows:

| | |
|------|-----------|
| 2025 | \$438,134 |
| 2026 | 714,464 |

| | |
|-----------------|-----------|
| 2027 | 768,553 |
| 2028 | 763,158 |
| 2029 | 773,497 |
| Next five years | 4,300,379 |

12 Commitments & contingencies

TSINY is subject to certain claims and pending litigation, which are covered by insurance policies, that have arisen in the ordinary course of business. They are not expected to have a materially adverse effect on TSINY's financial position or changes in net assets.

New York State and New York City Program Reviews

In accordance with TSINY's contractual relationships with certain governmental funders, those funders have the right to examine TSINY's books and records as they pertain to those contracts.

Operating lease obligations

TSINY has real property operating leases that are used for housing and other services with original terms ranging from one year to five years. Certain of these leases have available renewal options which extend the terms of the underlying leases. The real property leases generally require the payment of fixed monthly base rent payments which may escalate over the term of the lease. For certain of TSINY's real property leases, it is responsible for paying variable operating expenses including property taxes, insurance and maintenance and repair costs. Many operating lease payments are for apartments occupied by TSINY clients who, as part of their agreements with TSINY, contribute to the cost of their apartments. As a sublessor for certain of these leases, TSINY recognized net rental income (excluding revenues ancillary to the lease process) which is reflected in TSINY's Consolidated Statement of Activities under the Operating revenue section. TSINY's total lease expense indicated below does not include a reduction to total lessee lease expense for the amount of the recognized net rental income (excluding revenues ancillary to the lease process).

Right-of-use assets represent TSINY's right to use an underlying asset for the lease term, while lease liabilities represent TSINY'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.

Certain of TSINY's leases include options to renew lease. The exercise of lease renewal options is at TSINY's sole discretion. TSINY regularly evaluates the renewal options and when they are reasonably certain of exercise, TSINY includes such options in the lease term. Additionally, TSINY made judgments regarding lease terms for certain of its real property leases that were in month-to-month status or that contained auto-renewal clauses. TSINY estimated a lease end date based on the required length of usage of the property and calculated a right-of-use asset and lease liability with the resulting estimated lease term.

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

Right-of-use assets are assessed for impairment in accordance with TSINY's long-lived

asset policy. TSINY 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.

TSINY makes significant assumptions and judgments in evaluating its leases. In particular, TSINY:

- Evaluates whether a contract contains a lease, by considering factors such as whether TSINY obtained substantially all rights to control an identifiable underlying asset and whether the lessor has substantive substitution rights; and
- Determines whether contracts contain embedded leases.

TSINY does not have any material leasing transactions with related parties.

The following table summarizes the operating lease right-of-use assets and operating lease liabilities as of 30 June:

| | 2024 | 2023 |
|-------------------------------------|--------------------|--------------------|
| Operating lease right-of-use assets | \$8,306,321 | \$7,542,656 |
| Operating lease liabilities | | |
| Current | 5,225,105 | 4,373,204 |
| Long term | <u>3,138,183</u> | <u>3,292,151</u> |
| Total operating lease liabilities | <u>\$8,363,289</u> | <u>\$7,665,355</u> |

Below is a summary of expenses incurred pertaining to leases during the years ended as of 30 June:

| | 2024 | 2023 |
|--------------------------|--------------------|--------------------|
| Operating lease expense | \$7,111,503 | \$5,913,284 |
| Short-term lease expense | <u>2,472,443</u> | <u>2,432,730</u> |
| Total lease expense | <u>\$9,583,946</u> | <u>\$8,346,014</u> |

The right-of-use assets and lease liabilities were calculated using a weighted average discount rate of 4.07% and 3.43%, respectively, for the years ended as of 30 June 2024 and 2023. As of 30 June 2024 and 2023, the weighted average remaining lease term was 1.92 and 2.50 years, respectively.

The table below summarizes TSINY's scheduled future minimum lease payments for years ending after 30 June 2024:

| | |
|-----------------------------|---------------------------|
| Years ending 30 June: | |
| 2025 | \$5,478,572 |
| 2026 | 2,172,735 |
| 2027 | 667,185 |
| 2028 | 338,365 |
| 2029 | - |
| Thereafter | - |
| | <u>\$8,656,857</u> |
| Less present value | <u>(293,568)</u> |
| Total lease payments | <u>\$8,363,289</u> |
| Less current portion | <u>(5,225,105)</u> |
| Long-term lease liabilities | <u><u>\$3,138,184</u></u> |

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

| Cash paid for amounts included in the measurement of lease liabilities | 2024 | 2023 |
|--|-------------|-------------|
| Operating cash flows from operating leases | \$7,150,514 | \$5,782,166 |
| Operating lease right-of-use assets obtained in exchange for lease liabilities | \$7,658,472 | \$5,080,163 |

Facility construction and renovations

TSINY operates programs at sites which it leases from New York State and which are being renovated. The funds for these renovations are advanced to TSINY by New York State (see also Note 10). When these renovations are complete, management expects that New York State will contribute the renovations to TSINY either in the form of long-term financing which will not be repaid or as an outright contribution.

TSINY has been awarded an additional 39 units by NYSOMH under the Empire State Supportive Housing Initiative. TSINY was awarded 50 beds in 2021 under the same initiative. In addition, TSINY has been awarded by NYSOMH 29 beds for Short-Term Transitional Residence for Adults, 50 beds for a Community Residence-Single Room Occupancy for Adults and 2 Supportive Housing-Single Room Occupancy programs. Placing these beds into service will depend upon the acquisition and development of suitable residential facilities. TSINY anticipates accomplishing this over the next four to five years with a mixture of NYSOMH, New York City and external financing. In April 2024, TSINY was notified by NYSOMH that the 2008 allocation of 50 beds in the Lower Hudson Valley region has been rescinded.

13 Subsequent events

TSINY has evaluated all events taking place subsequent to the balance sheet date and through 29 April, 2025, the date these statements were available to be issued. There were no events or transactions occurring during that period which require recognition or disclosure in these consolidated financial statements.

Independent Auditors' Report



To the Board of Directors of
Transitional Services for New York, Inc. and Affiliates

Opinion

We have audited the consolidated financial statements of Transitional Services for New York, Inc. and Affiliates (the Organization), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of activities and changes in net assets without donor restrictions, changes in net assets with donor restrictions and noncontrolling interest, functional expenses and cash flows for the years 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 consolidated financial position of the Organization as of June 30, 2024 and 2023, and the 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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 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, 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.

Baker Tilly US, LLP

New York, New York
April 29, 2025