

Forestdale, Inc.

Financial Statements

June 30, 2021

Independent Auditors' Report

Board of Directors Forestdale, Inc.

We have audited the accompanying financial statements of Forestdale, Inc. ("Forestdale"), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forestdale, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information

We have previously audited Forestdale, Inc.'s June 30, 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

November 24, 2021

Forestdale, Inc.

Statement of Financial Position
June 30, 2021
(with comparative amounts at June 30, 2020)

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and cash equivalents	\$ 164,574	\$ 245,597
Due from governmental agencies	7,146,539	5,837,410
Prepaid expenses and other assets	176,708	338,772
Investments	25,829,545	20,910,209
Property, plant and equipment, net	1,262,329	1,214,660
Restricted investments	<u>187,295</u>	<u>187,295</u>
	<u>\$ 34,766,990</u>	<u>\$ 28,733,943</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 744,494	\$ 553,227
Accrued payroll and benefits	1,027,857	706,812
Accrued foster care payments	458,331	468,034
Government agency contingent liability	415,360	-
Paycheck Protection Program loan payable	<u>-</u>	<u>178,000</u>
Total Liabilities	<u>2,646,042</u>	<u>1,906,073</u>
Net Assets		
Without Donor Restrictions		
Operating	3,704,379	3,064,797
Investment in property, plant and equipment	1,262,329	1,214,660
Board designated	<u>25,644,024</u>	<u>20,795,153</u>
Total Net Assets Without Donor Restrictions	30,610,732	25,074,610
With donor restrictions	<u>1,510,216</u>	<u>1,753,260</u>
Total Net Assets	<u>32,120,948</u>	<u>26,827,870</u>
	<u>\$ 34,766,990</u>	<u>\$ 28,733,943</u>

See notes to financial statements

Forestdale, Inc.

Statement of Activities Year Ended June 30, 2021 (with summarized totals for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions	2021 Total	2020 Total
OPERATING INCOME				
Foster boarding homes	\$ 14,133,740	\$ -	\$ 14,133,740	\$ 12,648,104
Medicaid	4,634,206	-	4,634,206	4,267,262
Preventive services	9,888,784	-	9,888,784	4,418,741
Child Success NYC	1,055,664	-	1,055,664	1,383,459
Forestdale fathering initiative	386,497	-	386,497	382,447
Contributions and grants (including in-kind of \$118,968 and \$51,775 for fiscal 2021 and 2020)	1,164,500	884,125	2,048,625	1,569,930
NYS - Hoyt & CBCAP	158,425	-	158,425	127,339
Maternal Infant Health	102,604	-	102,604	105,245
Investment return used in operations	599,000	-	599,000	571,000
Net assets released from restrictions	<u>1,204,634</u>	<u>(1,204,634)</u>	<u>-</u>	<u>-</u>
Total Operating Income	<u>33,328,054</u>	<u>(320,509)</u>	<u>33,007,545</u>	<u>25,473,527</u>
OPERATING EXPENSES				
Program services	29,895,751	-	29,895,751	21,752,788
Supporting Services				
Management and general	2,538,020	-	2,538,020	2,750,631
Fundraising	<u>385,140</u>	<u>-</u>	<u>385,140</u>	<u>174,084</u>
Total Operating Expenses	<u>32,818,911</u>	<u>-</u>	<u>32,818,911</u>	<u>24,677,503</u>
Excess (Deficiency) of Operating Income over Operating Expenses	509,143	(320,509)	188,634	796,024
NON-OPERATING ACTIVITY				
Forgiveness of paycheck protection program loan	178,000	-	178,000	-
Investment return	<u>4,848,979</u>	<u>77,465</u>	<u>4,926,444</u>	<u>380,062</u>
Change in Net Assets	5,536,122	(243,044)	5,293,078	1,176,086
NET ASSETS				
Beginning of year	<u>25,074,610</u>	<u>1,753,260</u>	<u>26,827,870</u>	<u>25,651,784</u>
End of year	<u>\$ 30,610,732</u>	<u>\$ 1,510,216</u>	<u>\$ 32,120,948</u>	<u>\$ 26,827,870</u>

See notes to financial statements

Forestdale, Inc.

Statement of Functional Expenses Year Ended June 30, 2021 (with summarized totals for the year ended June 30, 2020)

	Program Services							Supporting Services			2021 Total	2020 Total
	Foster Boarding Homes (FBH, MTFC, TFFC)	Foster Boarding Homes (HAF, TRD)	Medicaid	Preventive Services	Child Success NYC Preventive	Forestdale Fathering Initiative	Other Programs	Total Program Services	Management and General	Fundraising		
PERSONNEL												
Salaries	\$ 3,815,085	\$ 229,005	\$ 1,393,025	\$ 5,792,674	\$ 589,520	\$ 298,930	\$ 1,506,500	\$ 13,624,739	\$ 1,476,283	\$ 63,052	\$ 15,164,074	\$ 10,500,031
Employee benefits and payroll taxes	<u>1,298,140</u>	<u>77,922</u>	<u>473,996</u>	<u>1,971,039</u>	<u>200,592</u>	<u>101,715</u>	<u>512,608</u>	<u>4,636,012</u>	<u>502,326</u>	<u>21,454</u>	<u>5,159,792</u>	<u>3,371,686</u>
Total Personnel	<u>5,113,225</u>	<u>306,927</u>	<u>1,867,021</u>	<u>7,763,713</u>	<u>790,112</u>	<u>400,645</u>	<u>2,019,108</u>	<u>18,260,751</u>	<u>1,978,609</u>	<u>84,506</u>	<u>20,323,866</u>	<u>13,871,717</u>
OTHER EXPENSES												
Children's allowances and pass-through (including in-kind of \$70,965 and \$51,775 for fiscal 2021 and 2020)	5,519,020	-	-	-	-	-	159,054	5,678,074	-	70,965	5,749,039	5,181,257
Transportation and workers expense	58,658	-	10,278	42,793	2,242	-	906	114,877	74,587	-	189,464	176,874
Purchase of services	729,193	62,379	208,782	167,345	68,707	3,919	424,239	1,664,564	83,007	75,374	1,822,945	1,595,084
Purchase of health services	-	-	1,935,032	62,946	-	-	-	1,997,978	-	-	1,997,978	1,476,973
Supplies and equipment	104,160	-	24,415	25,751	12,304	-	-	166,630	28,524	-	195,154	264,795
Supplies and equipment - medical	-	-	224,329	-	-	-	-	224,329	-	-	224,329	221,294
Rent - office space	-	-	-	292,017	-	-	-	292,017	-	-	292,017	59,400
Utilities	46,652	-	10,935	23,667	5,511	-	-	86,765	12,776	-	99,541	79,129
Repairs and maintenance	155,813	-	36,522	108,394	18,405	-	-	319,134	42,669	-	361,803	408,171
Telephone	55,948	2,846	17,833	77,548	6,613	960	12,776	174,524	22,606	662	197,792	59,600
Postage	-	-	-	-	-	-	-	-	1,649	-	1,649	2,067
Dues, licenses and permits	31,150	-	15,200	-	-	-	-	46,350	24,179	-	70,529	70,632
Office supplies	50,164	3,011	18,316	76,165	7,751	-	12,151	167,558	19,411	1,440	188,409	232,069
Subscriptions and publications	-	-	-	-	-	-	-	-	14,251	12,230	26,481	6,111
Conferences	1,470	-	-	-	-	-	-	1,470	2,549	-	4,019	8,126
Administrative	-	-	-	-	-	-	-	-	-	10,017	10,017	10,619
Staff development	9,100	-	-	3,500	7,000	-	10,535	30,135	54,129	-	84,264	117,203
Publicity and recruitment	17,095	-	-	2,759	-	-	4,401	24,255	66,288	-	90,543	161,653
Professional services (including in-kind of \$48,003 for fiscal 2021)	290,018	1,554	9,451	39,300	4,000	2,579	6,270	353,172	26,731	48,431	428,334	345,168
Insurance	63,910	3,836	23,336	97,037	9,875	9,300	15,481	222,775	24,729	1,055	248,559	180,376
Taxes	-	-	-	-	-	-	-	-	-	-	-	3,690
Depreciation and amortization	<u>38,707</u>	<u>-</u>	<u>6,277</u>	<u>4,675</u>	<u>4,147</u>	<u>-</u>	<u>16,587</u>	<u>70,393</u>	<u>61,326</u>	<u>80,460</u>	<u>212,179</u>	<u>145,495</u>
Total Other Expenses	<u>7,171,058</u>	<u>73,626</u>	<u>2,540,706</u>	<u>1,023,897</u>	<u>146,555</u>	<u>16,758</u>	<u>662,400</u>	<u>11,635,000</u>	<u>559,411</u>	<u>300,634</u>	<u>12,495,045</u>	<u>10,805,786</u>
Total Functional Expenses	<u>\$ 12,284,283</u>	<u>\$ 380,553</u>	<u>\$ 4,407,727</u>	<u>\$ 8,787,610</u>	<u>\$ 936,667</u>	<u>\$ 417,403</u>	<u>\$ 2,681,508</u>	<u>\$ 29,895,751</u>	<u>\$ 2,538,020</u>	<u>\$ 385,140</u>	<u>\$ 32,818,911</u>	<u>\$ 24,677,503</u>

See notes to financial statements

Forestdale, Inc.

Statement of Cash Flows
Year Ended June 30, 2021

(with comparative amounts for the year ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 5,293,078	\$ 1,176,086
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	212,179	145,495
Realized gain on investments	(690,169)	(102,581)
Unrealized gain on investments	(4,290,098)	(366,798)
Forgiveness of Paycheck Protection Program loan	(178,000)	-
Changes in operating assets and liabilities		
Due from governmental agencies	(1,309,129)	(1,454,628)
Prepaid expenses and other assets	162,064	(279,831)
Accounts payable and accrued expenses	191,267	185,720
Government agency contingent liability	415,360	-
Accrued payroll and benefits	321,045	292,161
Accrued foster care payments	(9,703)	89,845
Net Cash from Operating Activities	117,894	(314,531)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(259,848)	(247,988)
Purchase of investments	(2,966,896)	(1,492,363)
Proceeds from sale of investments	3,027,827	1,589,271
Net Cash from Investing Activities	(198,917)	(151,080)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	-	178,000
Net Change in Cash and Cash Equivalents	(81,023)	(287,611)
CASH AND CASH EQUIVALENTS		
Beginning of year	245,597	533,208
End of year	\$ 164,574	\$ 245,597

See notes to financial statements

Forestdale, Inc.

Notes to Financial Statements
June 30, 2021

1. Organization and Tax Status

Forestdale, Inc. ("Forestdale") is a not-for-profit organization which provides services to children in the New York metropolitan area. These services include foster boarding homes, preventive services, and Forestdale fathering initiative, among others.

Forestdale was incorporated in the State of New York and is exempt from income taxes under section 501(c)(3) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid fixed income investments with a maturity of three months or less at time of purchase.

Allowance for Doubtful Accounts

Forestdale believes that all amounts due from governmental agencies are collectible and no allowance has been provided.

Fair Value Measurements

Forestdale follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest level of reliance and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. As of June 30, 2021 and 2020, all of Forestdale's investments were valued using level 1 inputs.

Investment Valuations

Investments are carried at fair value and are solely comprised of mutual funds. Mutual funds are valued at the net asset value of shares held by Forestdale at June 30, 2021 and 2020 as determined by quoted market prices.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2021

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

Investment Income Recognition

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis and dividends are recorded on the ex-dividend date. Realized and unrealized gains and losses are included in the determination of the change in net assets.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or, if received by donation, at fair value on the date of the gift. Forestdale capitalizes all expenditures in excess of \$5,000 for property, plant and equipment. Depreciation and amortization are computed over the estimated useful lives of the assets using the straight line method for financial reporting purposes as follows:

Buildings and improvements	10-40 years
Furniture and equipment	5-10 years
Computer software and hardware	3 years
Vehicles	3 years

Property, plant and equipment are reviewed for impairment if the use of the asset significantly changes or another indicator of possible impairment is noted. If the carrying amount for the asset is not recoverable, the value is written down to the asset's fair value. There were no asset impairments for fiscal 2021 and 2020.

Net Asset Presentation

Resources for various purposes are classified for accounting and reporting purposes into net asset categories established according to nature and purpose as follows:

Without donor restrictions – consist of resources available for the general support of Forestdale's operations. Net assets without donor restrictions may be used at the discretion of Forestdale's management and Board of Directors.

With donor restrictions – represent amounts restricted by donors to be used for specific activities or at some future date, or which require Forestdale to maintain in perpetuity, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Income and gains earned on endowment fund investments are available to be used in the "with donor restrictions" or "without donor restrictions" net asset classes based upon stipulations by the donors.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2021

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

Operating Measure

The statement of activities separately reports 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 include investment return, net of amounts appropriated for operating purposes.

Contributions and Promises to Give

All contributions, including unconditional promises to give, are recorded when received and considered available for general use, unless specifically restricted by the donor or subject to other legal restrictions.

In-kind Contributions

Contributions of donated non-cash assets are recorded at their fair value in the period received. Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair value in the period received.

Third-Party Reimbursement and Revenue Recognition

Forestdale receives substantially all its revenue for services provided to approved clients from third-party reimbursement agencies, primarily New York City Administration for Children's Services ("ACS") and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary. Forestdale records an estimated liability to governmental agencies for excess reimbursement over allowable costs and underspending of interim rates. Revenue is recognized from rate-based programs when services are provided (e.g. care days and clinic visits). Contract revenue is recognized as expenses for these programs are incurred to the maximum of the contract award.

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The salary of the Executive Director is allocated 100% to administration; all other salaries are allocated on the basis of time and effort. Direct program costs such as children's allowances, transportation and worker's expense, client services, program-related professional fees and purchase of health services are allocated directly to the programs. All other costs that are not charged directly to a program are allocated either by percentage of overall salary allocation or by square footage.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2021

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

Summarized Financial Information

The statements of activities and functional expenses include prior year summarized comparative information in total only, which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements as of and for the year ended June 30, 2020 from which the summarized information was derived.

Accounting for Uncertainty in Income Taxes

Forestdale recognizes the effect of income tax positions only if those positions are more likely than not to be sustained. Management has determined that Forestdale had no uncertain tax positions that would require financial statement recognition and/or disclosure. Forestdale is no longer subject to examinations by the applicable taxing jurisdictions for periods prior to fiscal 2018.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 24, 2021.

3. Liquidity and Availability of Financial Assets

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

	<u>2021</u>	<u>2020</u>
Cash	\$ 164,574	\$ 245,597
Due from governmental agencies	7,146,539	5,837,410
Less: assets with donor restrictions	<u>(1,042,400)</u>	<u>(1,450,909)</u>
Total Available for General Expenditure	<u>\$6,268,713</u>	<u>\$4,632,098</u>

Forestdale's endowment funds consist of investments designated by the board as endowments and donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use.

Forestdale's board-designated endowment of \$25,644,024 at June 30, 2021 is subject to an annual spending rate of 4% as described in Note 9. Although Forestdale does not intend to spend from the board-designated endowment, other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation, these amounts could be made available if necessary.

Forestdale, Inc.

Notes to Financial Statements June 30, 2021

3. Liquidity and Availability of Financial Assets *(continued)*

As part of Forestdale's liquidity management, Forestdale strives to maintain funds to cover all donor restricted, non-endowed funds in the checking account. Amounts appropriated for expenditure are transferred from investments to the checking account. During fiscal 2021, \$599,000 of appropriated amounts were transferred.

4. Concentration of Credit Risk

Financial instruments which potentially subject Forestdale to a concentration of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation's limits. Management believes that credit risk related to these accounts is minimal.

The investment portfolio is managed by professional investment advisors and managers and with an objective of diversifying by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of market risk.

Forestdale provides program services that are covered under various third party agreements. Receivables from such arrangements totaled \$7,146,539 and \$5,837,410 as of June 30, 2021 and 2020. Management has determined that all receivables due from governmental agencies are collectible, and there is no need for an allowance at June 30, 2021 and 2020.

The percentage of the total amount due from governmental agencies by third party payors was 93% and 89% at June 30, 2021 and 2020 for New York City agencies. For Medicaid, the amounts were 7% and 11% at June 30, 2021 and 2020.

5. Property, Plant and Equipment

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

	<u>2021</u>	<u>2020</u>
Land	\$ 100,868	\$ 100,868
Buildings and improvements	1,666,441	1,725,572
Furniture and equipment	121,687	164,430
Computer software and hardware	26,800	101,335
Vehicles	<u>125,854</u>	<u>125,854</u>
	2,041,650	2,218,059
Accumulated depreciation and amortization	<u>(779,321)</u>	<u>(1,003,399)</u>
	<u>\$ 1,262,329</u>	<u>\$ 1,214,660</u>

During 2021, Forestdale disposed of equipment with a cost basis of \$436,257 and accumulated depreciation of \$436,257.

Forestdale, Inc.

Notes to Financial Statements June 30, 2021

6. Paycheck Protection Program Loan

On April 30, 2020, Forestdale received loan proceeds in the amount of \$178,000 under the Paycheck Protection Program (“PPP”). The PPP loan, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the 2019 average monthly payroll expenses of the qualifying business. The PPP loan bears an interest rate of 1% per annum. All or a portion of the PPP loan principal and accrued interest is forgivable as long as the borrower uses the loan proceeds for eligible purposes, as described in the CARES Act, over a period of either eight or twenty-four weeks (the “Covered Period”). The amount of loan forgiveness could be reduced if the borrower terminates employees or reduces salaries below a certain threshold during the Covered Period and does not qualify for certain safe harbors. The unforgiven portion of the PPP loan, if any, is payable within two years from the date of the loan. Loan payments of principal and interest are deferred until the amount of loan forgiveness is determined by the United States Small Business Administration (“SBA”).

As of June 30, 2020, the PPP loan is recognized as debt on the statement of financial position. The PPP loan was forgiven in full by the SBA on February 25, 2021 and is reported as forgiveness of PPP loan on the 2021 statement of activities.

7. Net Assets with Donor Restrictions

Changes in the net assets with donor restrictions consist of the following for the years ended June 30:

Purpose / Restriction	2021			
	Beginning of Year	Additions	Net Assets Released	End of Year
Restricted by Time	\$ -	\$ 95,000	\$ -	\$ 95,000
Restricted by Purpose				
Census	-	4,401	(4,401)	-
Child Welfare Fund/Dammann Fund/ Shoolman Fund/NY Community Trust	171,847	20,000	(61,080)	130,767
Robin Hood Fund	-	90,000	(90,000)	-
Scholarships	150,673	10,250	(145,639)	15,284
Solutions-based Casework	135,190	-	(15,309)	119,881
Strong Mothers/Fathers	713,659	451,925	(618,983)	546,601
Trauma Systems Therapy	117,160	-	(7,408)	109,752
Wendy's Wonderful Kids	1,250	30,367	(31,617)	-
Workforce Development	161,130	182,182	(223,197)	120,115
Unappropriated endowment earnings	115,056	77,465	(7,000)	185,521
Total Restricted by Purpose	1,565,965	866,590	(1,204,634)	1,227,921
Perpetual in nature	187,295	-	-	187,295
Total Net Assets with Donor Restrictions	\$ 1,753,260	\$ 961,590	\$ (1,204,634)	\$ 1,510,216

Forestdale, Inc.

Notes to Financial Statements
June 30, 2021

7. Net Assets with Donor Restrictions (continued)

Purpose / Restriction	2020			
	Beginning of Year	Additions	Net Assets Released	End of Year
Restricted by Purpose				
Child Welfare Fund/Dammann Fund/ Shoolman Fund/NY Community Trust	\$ 228,184	\$ 40,000	\$ (96,337)	\$ 171,847
Cicatelli	-	40,000	(40,000)	-
Department of Health	-	60,000	(60,000)	-
Scholarships	125,867	102,535	(77,729)	150,673
Solutions-based Casework	86,992	95,500	(47,302)	135,190
Strong Mothers/Fathers	682,185	266,169	(234,695)	713,659
Trauma Systems Therapy	144,489	145,000	(172,329)	117,160
Vehicle Purchase	15,000	15,000	(30,000)	-
Wendy's Wonderful Kids	-	13,125	(11,875)	1,250
Workforce Development	30,402	279,970	(149,242)	161,130
Unappropriated endowment earnings	108,491	13,565	(7,000)	115,056
Total Restricted by Purpose	<u>1,421,610</u>	<u>1,070,864</u>	<u>(926,509)</u>	<u>1,565,965</u>
Perpetual in nature	187,295	-	-	187,295
Total Net Assets with Donor Restrictions	<u>\$ 1,608,905</u>	<u>\$ 1,070,864</u>	<u>\$ (926,509)</u>	<u>\$ 1,753,260</u>

8. Board Designated Net Assets

Forestdale's Board of Directors designated a portion of net assets without donor restrictions to be used for future program operations and capital improvements.

9. Endowment Funds

Application of Law

New York Prudent Management of Institutional Funds Act ("NYPMIFA") requires the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result, Forestdale classifies as net assets with donor restrictions (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund is restricted until appropriated for expenditure by the board in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Forestdale, Inc.

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June 30, 2021

9. Endowment Funds (continued)

Investment Strategy

Forestdale employs a strategic asset allocation strategy with its asset allocations diversified over multiple classes and sub classes. Forestdale's investment objective is for the asset value, exclusive of contributions or withdrawals, to grow over the long run and earn, through a combination of investment income and capital appreciation, a time weighted total rate of return in excess of the established medium and long term benchmarks.

Forestdale expects the portfolio's asset allocation to reflect the investment objectives, goals, time horizon, risk tolerances and any investment restrictions that may exist within the policy.

Spending Policy

The spending policy of Forestdale stipulates that 4% of the market value of the investment portfolio may be disbursed annually. These calculations are made on an annual basis.

The following is a reconciliation of the board designated and donor-restricted endowment funds for the years ended June 30:

	2021		
	Board Designated	With Donor Restrictions	Total
Balance, beginning of year	\$ 20,795,153	\$ 302,351	\$ 21,097,504
Investment income, net	537,427	7,642	545,069
Realized/unrealized gain on investments	4,910,444	69,823	4,980,267
Appropriation for expenditure	(599,000)	(7,000)	(606,000)
Balance, end of year	\$ 25,644,024	\$ 372,816	\$ 26,016,840

	2020		
	Board Designated	With Donor Restrictions	Total
Balance, beginning of year	\$ 20,429,247	\$ 295,786	\$ 20,725,033
Investment income, net	474,226	6,866	481,092
Realized/unrealized gain on investments	462,680	6,699	469,379
Appropriation for expenditure	(571,000)	(7,000)	(578,000)
Balance, end of year	\$ 20,795,153	\$ 302,351	\$ 21,097,504

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10. Pension Plan

Forestdale has a defined contribution pension plan which covers all employees meeting eligibility requirements. Pension expense was \$788,939 and \$678,214 for the years ended June 30, 2021 and 2020.

11. Economic Dependency

Forestdale is an authorized social service agency under the regulations of the New York State Office of Children and Family Services. Reimbursement rates for the services provided by Forestdale are promulgated by this department and payments for such services are received through various governmental agencies. Forestdale is economically dependent on these funds to continue operations.

12. Commitments

Forestdale's previous lease agreement expired on June 30, 2020.

On February 25, 2020, Forestdale entered into a new, five-year lease agreement for office space in Jamaica, New York. The new lease commenced on September 22, 2020 and includes rent abatements for the second and thirteenth months of the lease. The deferred rent of \$15,544 is included in accounts payable and accrued expenses on the statement of financial position.

On March 31, 2020, Forestdale entered into two new lease agreements for office space in Brooklyn, New York. The new lease agreements have terms of five years, with lease commitment dates of March 31, 2020. The new leases commenced on October 26, 2020. The deferred rent of \$7,855 is included in accounts payable and accrued expenses on the statement of financial position.

The lease agreements executed in 2020 contain escalations for real estate taxes. All facilities are operated under noncancellable operating leases requiring future minimum payments as follows for the years ended June 30:

2022	\$	416,029
2023		427,902
2024		440,114
2025		372,754
2026		88,834
	\$	<u>1,745,633</u>

13. Risks and Uncertainties

The Coronavirus outbreak has resulted in substantial volatility in the global financial markets. The value of Forestdale's investments has and will continue to fluctuate in response to the changing market conditions. The amount of losses that will be recognized in subsequent periods cannot be reasonably estimated.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2021

13. Risks and Uncertainties (continued)

Forestdale's operations and financial performance may be affected by the recent coronavirus outbreak which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, Forestdale may experience a disruption in operations as well as decline in revenue and support activities. The effects of the outbreak on Forestdale's business, financial condition and results of operations cannot be determined at this time.

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