

**Forestdale, Inc.**

Financial Statements

June 30, 2022

## **Independent Auditors' Report**

**Board of Directors**  
**Forestdale, Inc.**

### ***Opinion***

We have audited the accompanying financial statements of Forestdale, Inc. ("Forestdale"), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Forestdale as of June 30, 2022, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

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

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Forestdale's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the 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, if they would influence the judgment made by a reasonable user based on the 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 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 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 Forestdale'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Forestdale's ability to continue as a going concern for a reasonable period of time.

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

***Report on Summarized Comparative Information***

We have previously audited Forestdale, Inc.'s June 30, 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 24, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

November 2, 2022

**Forestdale, Inc.**

Statement of Financial Position  
June 30, 2022  
(with comparative amounts at June 30, 2021)

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 641,612	\$ 164,574
Due from governmental agencies	7,227,057	7,146,539
Prepaid expenses and other assets	137,814	176,708
Investments	21,575,659	25,829,545
Property, plant and equipment, net	1,121,402	1,262,329
Restricted investments	<u>187,295</u>	<u>187,295</u>
	<u>\$ 30,890,839</u>	<u>\$ 34,766,990</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 600,687	\$ 744,494
Accrued payroll and benefits	1,042,670	1,027,857
Accrued foster care payments	464,833	458,331
Government agency contingent liability	-	415,360
Line of credit	<u>750,000</u>	<u>-</u>
Total Liabilities	<u>2,858,190</u>	<u>2,646,042</u>
Net Assets		
Without Donor Restrictions		
Operating	4,027,658	3,704,379
Investment in property, plant and equipment	1,121,402	1,262,329
Board designated	<u>21,442,111</u>	<u>25,644,024</u>
Total Net Assets Without Donor Restrictions	26,591,171	30,610,732
With donor restrictions	<u>1,441,478</u>	<u>1,510,216</u>
Total Net Assets	<u>28,032,649</u>	<u>32,120,948</u>
	<u>\$ 30,890,839</u>	<u>\$ 34,766,990</u>

See notes to financial statements

## Forestdale, Inc.

### Statement of Activities Year Ended June 30, 2022 (with summarized totals for the year ended June 30, 2021)

	Without Donor Restrictions	With Donor Restrictions	2022 Total	2021 Total
<b>OPERATING INCOME</b>				
Foster boarding homes	\$ 15,323,079	\$ -	\$ 15,323,079	\$ 14,133,740
Medicaid	4,785,724	-	4,785,724	4,634,206
Preventive services	9,709,855	-	9,709,855	9,888,784
Child Success NYC	1,055,663	-	1,055,663	1,055,664
Forestdale fathering initiative	387,210	-	387,210	386,497
Contributions and grants	261,329	1,092,636	1,353,965	1,929,657
In-kind contributions	140,188	-	140,188	118,968
NYS - Hoyt and CBCAP	164,129	-	164,129	158,425
Maternal infant health	110,550	-	110,550	102,604
Investment return used in operations	620,000	-	620,000	599,000
Net assets released from restrictions	<u>1,116,401</u>	<u>(1,116,401)</u>	<u>-</u>	<u>-</u>
Total Operating Income	<u>33,674,128</u>	<u>(23,765)</u>	<u>33,650,363</u>	<u>33,007,545</u>
<b>OPERATING EXPENSES</b>				
Program services	30,374,610	-	30,374,610	29,895,751
Supporting Services				
Management and general	2,804,344	-	2,804,344	2,538,020
Fundraising	<u>315,224</u>	<u>-</u>	<u>315,224</u>	<u>385,140</u>
Total Operating Expenses	<u>33,494,178</u>	<u>-</u>	<u>33,494,178</u>	<u>32,818,911</u>
Excess (Deficiency) of Operating Income over Operating Expenses	179,950	(23,765)	156,185	188,634
<b>NON-OPERATING ACTIVITY</b>				
Forgiveness of Paycheck Protection Program loan	-	-	-	178,000
Investment return	<u>(4,199,511)</u>	<u>(44,973)</u>	<u>(4,244,484)</u>	<u>4,926,444</u>
Change in Net Assets	<u>(4,019,561)</u>	<u>(68,738)</u>	<u>(4,088,299)</u>	<u>5,293,078</u>
<b>NET ASSETS</b>				
Beginning of year	<u>30,610,732</u>	<u>1,510,216</u>	<u>32,120,948</u>	<u>26,827,870</u>
End of year	<u>\$ 26,591,171</u>	<u>\$ 1,441,478</u>	<u>\$ 28,032,649</u>	<u>\$ 32,120,948</u>

See notes to financial statements

## Forestdale, Inc.

### Statement of Functional Expenses Year Ended June 30, 2022 (with summarized totals for the year ended June 30, 2021)

	Program Services							Supporting Services			2022 Total	2021 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		
<b>PERSONNEL</b>												
Salaries	\$ 3,593,721	\$ 245,550	\$ 1,816,105	\$ 5,621,831	\$ 576,911	\$ 258,412	\$ 1,595,125	\$ 13,707,655	\$ 1,621,557	\$ 61,391	\$ 15,390,603	\$ 15,164,074
Employee benefits and payroll taxes	1,198,241	81,873	605,537	1,874,466	192,357	86,161	531,857	4,570,492	540,670	20,469	5,131,631	5,159,792
Total Personnel	<u>4,791,962</u>	<u>327,423</u>	<u>2,421,642</u>	<u>7,496,297</u>	<u>769,268</u>	<u>344,573</u>	<u>2,126,982</u>	<u>18,278,147</u>	<u>2,162,227</u>	<u>81,860</u>	<u>20,522,234</u>	<u>20,323,866</u>
<b>OTHER EXPENSES</b>												
Children's allowances and pass-through (including in-kind of \$140,188 and \$70,965 for fiscal 2022 and 2021)	5,972,136	-	-	-	700	-	208,521	6,181,357	-	140,188	6,321,545	5,749,039
Transportation and workers expense	35,716	-	7,137	32,359	242	-	3,252	78,706	9,503	-	88,209	189,464
Purchase of services	779,274	61,893	284,465	262,981	74,420	-	518,524	1,981,557	96,151	77,698	2,155,406	1,822,945
Purchase of health services	-	-	1,388,267	100,770	-	-	-	1,489,037	-	-	1,489,037	1,997,978
Supplies and equipment	77,054	-	13,949	15,520	8,494	-	21,015	136,032	19,692	-	155,724	195,154
Supplies and equipment - medical	-	-	35,668	-	-	-	-	35,668	-	-	35,668	224,329
Rent - office space	-	-	-	424,388	-	-	-	424,388	-	-	424,388	292,017
Utilities	55,798	-	10,101	29,094	6,151	-	-	101,144	14,260	-	115,404	99,541
Repairs and maintenance	325,449	-	58,917	118,380	35,875	-	7,000	545,621	83,172	-	628,793	361,803
Telephone	77,440	2,611	24,087	81,051	6,504	2,337	12,022	206,052	42,053	498	248,603	197,792
Postage	-	-	-	-	-	-	-	-	6,950	-	6,950	1,649
Dues, licenses and permits	28,350	-	20,000	-	-	-	-	48,350	15,170	-	63,520	70,529
Office supplies	34,602	1,540	15,116	46,791	4,802	-	4,897	107,748	13,496	2,891	124,135	188,409
Subscriptions and publications	528	-	663	-	1,472	-	-	2,663	22,119	8,424	33,206	26,481
Conferences	-	-	-	-	-	-	-	-	-	-	-	4,019
Administrative	-	-	-	-	-	-	-	-	6,095	-	6,095	10,017
Staff development	1,452	-	-	749	4,886	-	42,068	49,155	63,249	2,000	114,404	84,264
Publicity and recruitment	28,021	-	-	-	-	-	-	28,021	21,122	-	49,143	90,543
Professional services (including in-kind of \$0 and \$48,003 for fiscal 2022 and 2021)	277,857	961	9,435	29,208	2,997	8,818	3,355	332,631	85,224	319	418,174	428,334
Insurance	91,175	4,058	39,830	123,294	12,652	31,798	12,897	315,704	35,563	1,346	352,613	248,559
Depreciation and amortization	2,548	-	-	9,350	4,147	-	16,584	32,629	108,298	-	140,927	212,179
Total Other Expenses	<u>7,787,400</u>	<u>71,063</u>	<u>1,907,635</u>	<u>1,273,935</u>	<u>163,342</u>	<u>42,953</u>	<u>850,135</u>	<u>12,096,463</u>	<u>642,117</u>	<u>233,364</u>	<u>12,971,944</u>	<u>12,495,045</u>
Total Functional Expenses	<u>\$ 12,579,362</u>	<u>\$ 398,486</u>	<u>\$ 4,329,277</u>	<u>\$ 8,770,232</u>	<u>\$ 932,610</u>	<u>\$ 387,526</u>	<u>\$ 2,977,117</u>	<u>\$ 30,374,610</u>	<u>\$ 2,804,344</u>	<u>\$ 315,224</u>	<u>\$ 33,494,178</u>	<u>\$ 32,818,911</u>

See notes to financial statements

**Forestdale, Inc.**

Statement of Cash Flows  
Year Ended June 30, 2022

(with comparative amounts for the year ended June 30, 2021)

	2022	2021
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (4,088,299)	\$ 5,293,078
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	140,927	212,179
Realized gain on investments	(266,153)	(690,169)
Unrealized loss (gain) on investments	4,432,652	(4,290,098)
Forgiveness of Paycheck Protection Program loan	-	(178,000)
Changes in operating assets and liabilities		
Due from governmental agencies	(80,518)	(1,309,129)
Prepaid expenses and other assets	38,894	162,064
Accounts payable and accrued expenses	(143,807)	191,267
Government agency contingent liability	(415,360)	415,360
Accrued payroll and benefits	14,813	321,045
Accrued foster care payments	6,502	(9,703)
Net Cash from Operating Activities	(360,349)	117,894
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(259,848)
Purchase of investments	(571,410)	(2,966,896)
Proceeds from sale of investments	658,797	3,027,827
Net Cash from Investing Activities	87,387	(198,917)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown on line of credit	750,000	-
Net Change in Cash and Cash Equivalents	477,038	(81,023)
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	164,574	245,597
End of year	\$ 641,612	\$ 164,574

See notes to financial statements



## Forestdale, Inc.

Notes to Financial Statements  
June 30, 2022

### 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, 2022 and 2021, 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, 2022 and 2021 as determined by quoted market prices.

## Forestdale, Inc.

Notes to Financial Statements  
June 30, 2022

### 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 2022 and 2021.

#### ***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, 2022

#### 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***

Contributions or promises to give from donors that are unconditional, are recognized by Forestdale as net assets without donor restrictions in the period received. Contributions or promises to give from donors with donor-imposed conditions are reported as net assets with donor restrictions in the period received. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the statement of activities as net assets released from restrictions. Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue without donor restrictions.

##### ***In-kind Contributions***

In-kind contributions 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.

Forestdale received donated contributions and services for the years ended June 30, as follows:

	2022	2021	Usage in Program/Activities	Donor Restriction	Fair Value Techniques
Legal services	\$ -	\$ 48,003	Program and administration	None	Estimated based on rates provided by law firm.
Children's allowances and pass-through	140,188	70,965	Program	None	In valuing clothing, toys, and similar donations, Forestdale estimated fair values based on wholesale values that would be received for selling similar products and services in the United States.

## Forestdale, Inc.

Notes to Financial Statements  
June 30, 2022

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

#### ***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. Medicaid revenue is recognized as performance obligations are satisfied, which is ratably over the period services are provided. Generally, Forestdale bills monthly.

Due from governmental agencies and Medicaid revenue result from health care services provided by Forestdale and are reported at the amount that reflects the consideration to which Forestdale expects to be entitled in exchange for providing services. Provisions for settlements are accrued on an estimated basis in the period in which the related services are rendered and are included in due to governmental agencies.

Forestdale uses a portfolio approach as a practical expedient to account for Medicaid revenue contracts as a collective group, rather than recognizing revenue on an individual contract basis. The portfolio consists of major payor classes for patient services visits.

The financial statement effects of using this practical expedient are not materially different from an individual contract approach. Substantially all its performance obligations relate to contracts with a duration of less than one year.

The guidance requires Forestdale to not recognize revenue until it is probable of collection. Based on strong collection experience, Forestdale has concluded that all revenue recognized is probable of collection.

At June 30, 2022 and 2021, contract assets consisted of government contract and service fee receivables of \$345,140 and \$465,853. At July 1, 2020, the contract assets consisted of government contract and service fees receivable \$682,199. There were no contract liabilities at June 30, 2022 and 2021, and July 1, 2020.

## Forestdale, Inc.

Notes to Financial Statements  
June 30, 2022

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

#### ***Functional Allocation of Expenses***

The financial statements report categories of expenses that are attributable 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.

#### ***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, 2021 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 2019.

#### ***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 2, 2022.

### 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>2022</u>	<u>2021</u>
Cash	\$ 641,612	\$ 164,574
Due from governmental agencies	7,227,057	7,146,539
Less: assets with donor restrictions	<u>(1,120,635)</u>	<u>(1,042,400)</u>
Total Available for General Expenditure	<u>\$ 6,748,034</u>	<u>\$ 6,268,713</u>

## Forestdale, Inc.

### Notes to Financial Statements June 30, 2022

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

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 \$21,442,111 at June 30, 2022 is subject to an annual spending rate of 4% as described in Note 7. 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.

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 2022, \$627,000 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 \$7,227,057 and \$7,146,539 as of June 30, 2022 and 2021. Management has determined that all receivables due from governmental agencies are collectible, and there is no need for an allowance at June 30, 2022 and 2021.

The percentage of the total amount due from governmental agencies by third party payors was 94% and 93% at June 30, 2022 and 2021 for New York City agencies. For Medicaid, the amounts were 6% and 7% at June 30, 2022 and 2021.

**Forestdale, Inc.**

Notes to Financial Statements  
June 30, 2022

**5. Property, Plant and Equipment**

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

	2022	2021
Land	\$ 100,868	\$ 100,868
Buildings and improvements	1,666,441	1,666,441
Furniture and equipment	121,687	121,687
Computer software and hardware	26,800	26,800
Vehicles	125,854	125,854
	2,041,650	2,041,650
Accumulated depreciation and amortization	(920,248)	(779,321)
	\$ 1,121,402	\$ 1,262,329

**6. 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	2022			
	Beginning of Year	Additions	Net Assets Released	End of Year
Restricted by Time	\$ 95,000	\$ -	\$ (93,838)	\$ 1,162
Restricted by Purpose				
Hyde & Watson	-	15,000	(15,000)	-
Child Welfare Fund/Dammann Fund/ Shoolman Fund/NY Community Trust	130,767	95,000	(68,954)	156,813
Robin Hood Fund	-	25,000	-	25,000
Scholarships	15,284	102,500	(110,204)	7,580
Solutions-based Casework	119,881	-	-	119,881
Strong Mothers/Fathers	546,601	352,500	(413,766)	485,335
Trauma Systems Therapy	109,752	133,212	(135,144)	107,820
Dave Thomas Foundation	-	29,412	(29,412)	-
NYC Council Grant: Pandemic Support	-	130,941	(130,941)	-
Workforce Development	120,115	209,071	(112,142)	217,044
Unappropriated endowment earnings	185,521	(44,973)	(7,000)	133,548
Total Restricted by Purpose	1,227,921	1,047,663	(1,022,563)	1,253,021
Perpetual in nature	187,295	-	-	187,295
Total Net Assets with Donor Restrictions	\$ 1,510,216	\$ 1,047,663	\$ (1,116,401)	\$ 1,441,478

**Forestdale, Inc.**

Notes to Financial Statements  
June 30, 2022

**6. Net Assets with Donor Restrictions (continued)**

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

**7. Endowment Funds**

Forestdale maintains two endowment funds (the "Funds"). The Funds include a donor-restricted fund and a fund designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

***Purpose***

Forestdale's donor-restricted endowment fund was established in 1948 to be held in perpetuity with the income to be used for general operations. Forestdale's Board of Directors designated a portion of net assets without donor restrictions to be used for future program operations and capital improvements.



## Forestdale, Inc.

### Notes to Financial Statements June 30, 2022

#### 7. Endowment Funds (continued)

##### **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.

##### **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:

	2022		
	Board Designated	With Donor Restrictions	Total
Balance, beginning of year	\$ 25,644,024	\$ 372,816	\$ 26,016,840
Investment income, net	531,881	7,732	539,613
Realized/unrealized loss on investments	(4,113,794)	(52,705)	(4,166,499)
Appropriation for expenditure	(620,000)	(7,000)	(627,000)
Balance, end of year	<u>\$ 21,442,111</u>	<u>\$ 320,843</u>	<u>\$ 21,762,954</u>

## Forestdale, Inc.

### Notes to Financial Statements June 30, 2022

#### 7. Endowment Funds (continued)

	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	<u>\$ 25,644,024</u>	<u>\$ 372,816</u>	<u>\$ 26,016,840</u>

#### 8. Pension Plan

Forestdale has a defined contribution pension plan which covers all employees meeting eligibility requirements. Pension expense was \$1,049,652 and \$788,939 for the years ended June 30, 2022 and 2021.

#### 9. Line of Credit

During 2022, Forestdale obtained a \$1,000,000 credit agreement with TD Bank (the "Bank") with a maturity date of March 31, 2024. Borrowings bear an interest rate of 4.75% per annum, except where certain conditions apply. For the years ended June 30, 2022 and 2021, the interest expense was \$1,484 and \$0. The outstanding borrowing on the line of credit totaled \$750,000 and \$0 at June 30, 2022 and 2021. During July 2022, the balance was repaid.

#### 10. 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.

#### 11. Commitments

On February 25, 2020, Forestdale entered into a five-year lease agreement for office space in Jamaica, New York. The lease commenced on September 22, 2020 and includes rent abatements for the second and thirteenth months of the lease. The deferred rent of \$26,191 and \$15,544 as of June 30, 2022 and 2021 is included in accounts payable and accrued expenses on the statement of financial position.

**Forestdale, Inc.**

Notes to Financial Statements  
June 30, 2022

**11. Commitments (continued)**

On March 31, 2020, Forestdale entered into two lease agreements for office space in Brooklyn, New York. The lease agreements have terms of five years, with lease commitment dates of March 31, 2020. The leases commenced on October 26, 2020. The deferred rent of \$17,566 and \$7,855 as of June 30, 2022 and 2021 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 ending June 30:

2023	\$ 427,902
2024	440,114
2025	372,754
2026	<u>88,834</u>
	<u>\$ 1,329,604</u>

**12. Risks and Uncertainties**

The global and domestic economic uncertainty has resulted in significant volatility in financial markets. This volatility has affected, and may continue to affect, the value of Forestdale's investments. The effects of economic and market conditions subsequent to June 30, 2022 are not reflected in these financial statements and future effects on the effects on Forestdale's investments cannot be predicted.

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