

Forestdale, Inc.

Financial Statements

June 30, 2016

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, 2016, 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, 2016, 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, 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

October 27, 2016

Forestdale, Inc.

Statement of Financial Position
June 30, 2016
(with comparative amounts at June 30, 2015)

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and cash equivalents	\$ 1,237,426	\$ 464,356
Due from governmental agencies	2,725,152	3,196,890
Prepaid expenses and other assets	108,714	10,807
Investments	17,823,120	18,612,992
Property, plant and equipment, net	254,949	280,856
Restricted investments	<u>187,295</u>	<u>187,295</u>
	<u>\$ 22,336,656</u>	<u>\$ 22,753,196</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 216,888	\$ 605,475
Accrued payroll and benefits	372,763	630,160
Accrued foster care payments	<u>371,797</u>	<u>401,540</u>
Total Liabilities	<u>961,448</u>	<u>1,637,175</u>
Net Assets		
Unrestricted		
Operating	2,471,736	1,844,443
Investment in property, plant and equipment	254,949	280,856
Board designated	<u>17,745,706</u>	<u>18,532,754</u>
Total Unrestricted	20,472,391	20,658,053
Temporarily restricted	715,522	270,673
Permanently restricted	<u>187,295</u>	<u>187,295</u>
Total Net Assets	<u>21,375,208</u>	<u>21,116,021</u>
	<u>\$ 22,336,656</u>	<u>\$ 22,753,196</u>

See notes to financial statements

Forestdale, Inc.

Statement of Activities Year Ended June 30, 2016 (with summarized totals for the year ended June 30, 2015)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2016 Total	2015 Total
OPERATING INCOME					
Foster boarding homes	\$ 9,603,794	\$ -	\$ -	\$ 9,603,794	\$ 9,554,599
Medicaid	3,276,561	-	-	3,276,561	2,327,192
Preventive services	2,015,733	-	-	2,015,733	1,542,899
Infant mortality reduction	86,169	-	-	86,169	19,025
Forestdale fathering initiative	615,650	-	-	615,650	603,465
Child Success NYC	2,391,715	-	-	2,391,715	2,626,895
Contributions and grants (including in-kind of \$167,003 and \$125,098)	300,645	1,153,393	-	1,454,038	908,823
Special event revenue, net of costs of direct benefit to donors of \$43,362	48,449	-	-	48,449	-
Investment return used in operations	350,000	-	-	350,000	400,054
Net assets released from restrictions	705,720	(705,720)	-	-	-
Total Operating Income	19,394,436	447,673	-	19,842,109	17,982,952
OPERATING EXPENSES					
Program services	16,881,236	-	-	16,881,236	16,384,083
Supporting Services					
Management and general	1,851,171	-	-	1,851,171	1,644,733
Fundraising	208,141	-	-	208,141	200,317
Total Operating Expenses	18,940,548	-	-	18,940,548	18,229,133
Excess (Deficiency) of Operating Income over Operating Expenses	453,888	447,673	-	901,561	(246,181)
NON OPERATING ACTIVITY					
Investment return	(639,550)	(2,824)	-	(642,374)	(490,567)
Change in Net Assets	(185,662)	444,849	-	259,187	(736,748)
NET ASSETS					
Beginning of year	20,658,053	270,673	187,295	21,116,021	21,852,769
End of year	\$ 20,472,391	\$ 715,522	\$ 187,295	\$ 21,375,208	\$ 21,116,021

See notes to financial statements

Forestdale, Inc.

Statement of Functional Expenses Year Ended June 30, 2016 (with summarized totals for the year ended June 30, 2015)

	Program Services							Supporting Services			2016 Total	2015 Total
	Foster Boarding Homes (FBH, MTFC, TFFC)	Medicaid	Preventive Services	Forestdale Fathering Initiative	Child Success NYC Preventative	Child Success NYC Waiver	Other Programs	Total Program Services	Management and General	Fundraising		
PERSONNEL												
Salaries	\$ 2,256,877	\$ 669,553	\$ 1,121,126	\$ 386,662	\$ 630,628	\$ 674,180	\$ 322,680	\$ 6,061,706	\$ 1,211,106	\$ -	\$ 7,272,812	\$ 6,675,849
Employee benefits and payroll taxes	688,566	204,279	342,052	116,099	192,403	205,690	98,448	1,847,537	369,504	-	2,217,041	1,876,846
Total Personnel	<u>2,945,443</u>	<u>873,832</u>	<u>1,463,178</u>	<u>502,761</u>	<u>823,031</u>	<u>879,870</u>	<u>421,128</u>	<u>7,909,243</u>	<u>1,580,610</u>	<u>-</u>	<u>9,489,853</u>	<u>8,552,695</u>
OTHER EXPENSES												
Children's allowances and pass-thru	4,783,641	-	-	-	46,615	-	366,468	5,196,724	-	167,003	5,363,727	5,231,053
Transportation and workers expense	81,368	2,126	14,693	359	6,347	12,758	2,945	120,596	63,973	813	185,382	205,921
Purchase of services	611,649	142,524	104,105	45,312	103,007	32,504	80,416	1,119,517	38,864	25,896	1,184,277	1,210,379
Purchase of health services	-	1,252,839	20,780	-	-	-	-	1,273,619	-	-	1,273,619	1,517,965
Supplies and equipment	48,505	8,948	6,363	-	5,155	4,572	-	73,543	12,562	-	86,105	36,709
Supplies and equipment - medical	-	341,223	-	-	-	-	-	341,223	-	-	341,223	500,423
Rent - furniture and equipment	-	-	19,300	-	-	-	-	19,300	-	-	19,300	11,900
Rent - office space	-	-	-	33,600	-	-	-	33,600	-	-	33,600	33,600
Utilities	43,511	8,026	8,454	19,828	4,625	4,101	2,464	91,009	11,266	-	102,275	115,417
Repairs and maintenance	53,246	10,372	11,109	412	4,997	4,464	-	84,600	11,475	-	96,075	110,075
Telephone	18,189	3,821	6,912	2,172	3,563	3,799	1,137	39,593	6,874	-	46,467	47,940
Postage	10,634	1,137	1,893	1,086	2,565	2,702	159	20,176	2,044	379	22,599	35,263
Dues, licenses and permits	18,290	5,000	-	-	-	-	-	23,290	24,210	2,875	50,375	39,153
Office supplies	19,046	5,209	8,723	2,353	4,906	5,245	731	46,213	9,424	9,917	65,554	85,659
Subscriptions and publications	-	-	-	-	-	27	-	27	1,322	-	1,349	1,170
Conferences	-	-	-	-	-	-	-	-	738	-	738	2,450
Administrative	-	-	-	-	-	-	-	-	22,497	-	22,497	17,325
Staff development	12,368	375	-	45	700	-	1,983	15,471	10,191	79	25,741	33,922
Publicity and recruitment	15,516	90	-	-	-	1,590	1,000	18,196	6,694	1,179	26,069	20,193
Professional services	225,048	6,060	10,146	-	20,707	6,101	850	268,912	10,961	-	279,873	200,995
Insurance	56,517	16,767	28,075	8,301	15,792	16,883	2,352	144,687	30,328	-	175,015	170,538
Depreciation and amortization	27,560	5,084	3,526	-	2,929	2,598	-	41,697	7,138	-	48,835	48,388
Total Other Expenses	<u>6,025,088</u>	<u>1,809,601</u>	<u>244,079</u>	<u>113,468</u>	<u>221,908</u>	<u>97,344</u>	<u>460,505</u>	<u>8,971,993</u>	<u>270,561</u>	<u>208,141</u>	<u>9,450,695</u>	<u>9,676,438</u>
Total Expenses	<u>\$ 8,970,531</u>	<u>\$ 2,683,433</u>	<u>\$ 1,707,257</u>	<u>\$ 616,229</u>	<u>\$ 1,044,939</u>	<u>\$ 977,214</u>	<u>\$ 881,633</u>	<u>\$ 16,881,236</u>	<u>\$ 1,851,171</u>	<u>\$ 208,141</u>	<u>\$ 18,940,548</u>	<u>\$ 18,229,133</u>

See notes to financial statements

Forestdale, Inc.

Statement of Cash Flows
Year Ended June 30, 2016

(with comparative amounts for the year ended June 30, 2015)

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 259,187	\$ (736,748)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	48,835	48,388
Realized loss (gain) on investments	392,138	(23,693)
Unrealized loss on investments	475,007	465,504
Changes in operating assets and liabilities		
Due from governmental agencies	471,738	(630,327)
Prepaid expenses and other assets	(97,907)	(1,125)
Accounts payable and accrued expenses	(388,587)	484,195
Accrued payroll and benefits	(257,397)	172,556
Accrued foster care payments	<u>(29,743)</u>	<u>22,860</u>
Net Cash from Operating Activities	<u>873,271</u>	<u>(198,390)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(22,928)	(8,950)
Purchase of investments	(5,092,043)	(19,276,597)
Proceeds from sale of investments	5,014,770	19,676,526
Change in short term investments	<u>-</u>	<u>(332,014)</u>
Net Cash from Investing Activities	<u>(100,201)</u>	<u>58,965</u>
Net Change in Cash and Cash Equivalents	773,070	(139,425)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>464,356</u>	<u>603,781</u>
End of year	<u>\$ 1,237,426</u>	<u>\$ 464,356</u>

See notes to financial statements

Forestdale, Inc.

Notes to Financial Statements
June 30, 2016

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, Forestdale fathering initiative, and child success NYC programs, 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.

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.

During 2016, Forestdale adopted new U.S. GAAP guidance which removed the requirements to categorize within the fair value hierarchy alternative investments where fair value is measured using the Net Asset Value ("NAV") per share as a practical expedient. Adoption of this guidance was applied retrospectively and had no effect on the carrying value of such investments.

Investments Valuations

Investments are carried at fair value. Certificates of deposit are carried at cost plus accrued interest which approximate fair value.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2016

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:

Building 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 2016 and 2015.

Net Asset Presentation

The financial statements report amounts separately by class of net assets based on the presence or absence of donor restrictions. Unrestricted net assets are those currently available at the discretion of the board for use in operations. Temporarily restricted net assets are those which are stipulated by donors for specific purposes or by the passage of time. Permanently restricted net assets are those which are established by donor restricted gifts and bequests to provide a permanent endowment.

Operating Measure

Forestdale has elected to present an operating measure in its statement of activities. Accordingly, items not affecting operations are segregated from those affecting operations. Items not affecting operations include investment return, net of investment allocation to operations.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2016

2. Summary of Significant Accounting Policies (continued)

Contributions and Promises to Give

All contributions, including unconditional promises to give, are recorded when received and considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

In-kind Contributions

Contributions of services are recognized at fair value when they are received if the services either create or enhance nonfinancial assets, or require specialized skills, and are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated goods distributed are recorded as income and expense at the time they are received which is normally also the time they are placed into service or distributed.

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 costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain administrative, fundraising and maintenance costs have been allocated among the programs and supporting services.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2016

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 for the year ended June 30, 2015 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 2013.

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 October 27, 2016.

3. 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 \$2,725,152 and \$3,196,890 as of June 30, 2016 and 2015. Management has determined that all receivables due from governmental agencies are collectible, and there is no need for an allowance at June 30, 2016 and 2015.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2016

3. Concentration of Credit Risk (continued)

The percentage of the total amount due from governmental agencies by third party payor was as follows:

	2016	2015
New York City	83%	87%
Medicaid	17%	13%
	100%	100%

4. Investments

The following are major categories of investments at June 30, grouped by the fair value hierarchy for those assets measured at fair value on a recurring basis, which is measured at cost:

	2016		
	Investments		
	Level 1	Valued Using NAV (*)	Total
Investments:			
Money market funds	\$ 13,176	\$ -	\$ 13,176
Mutual Funds			
Bond fund	6,526,482	-	6,526,482
Equity fund	9,660,190	-	9,660,190
Hedge funds	-	1,810,567	1,810,567
Total Investments	\$ 16,199,848	\$ 1,810,567	\$ 18,010,415
	2015		
	Investments		
	Level 1	Valued Using NAV (*)	Total
Investments:			
Money market funds	\$ 65,074	\$ -	\$ 65,074
Mutual Funds			
Bond fund	7,270,814	-	7,270,814
Equity fund	9,575,278	-	9,575,278
Hedge funds	-	1,889,121	1,889,121
Total Investments	\$ 16,911,166	\$ 1,889,121	\$ 18,800,287

(*) As discussed in Note 2, investments that are measured using the practical expedient are not classified within the fair value hierarchy.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2016

4. Investments (continued)

The composition of investment return as reported in the statement of activities for the years ended June 30 is as follows:

	2016	2015
Interest on cash and cash equivalents	\$ -	\$ 54
Interest and dividends	627,813	493,162
Realized and unrealized loss on investments	(867,145)	(441,811)
Investment fees	(53,042)	(141,918)
	\$ (292,374)	\$ (90,513)

Information regarding alternative investments measured at NAV at June 30, 2016 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge funds	\$ 1,810,567	\$ -	Semi-Annual	95 days

The hedge funds ("Fund") investment objective is capital appreciation with limited variability of returns. The Fund attempts to achieve this objective by allocating capital among a number of underlying funds. The Fund manager anticipates that the Fund will generally invest in 20 to 35 underlying funds at any given point and does not intend to allocate over 10% of the Fund's capital (as of the allocation date) to any single underlying fund (or any group of underlying funds managed by a single underlying adviser or group of affiliated underlying advisers). However, the Fund manager reserves the right to increase or decrease the number of underlying funds and to revise its method of allocating capital to them if, in the sole discretion of the Fund manager, such changes are warranted.

The Fund manager focuses on institutional quality managers who invest in historically uncorrelated strategies, such as relative value, event driven, equity market neutral, credit, distressed securities and various arbitrage based approaches. The Fund manager does not invest in more volatile strategies such as global macro, commodity trading advisors or managed futures.

Early withdrawal will be subject to a repurchase fee equal to 5% of the amount requested if the subscription is for less than 12 months prior to the redemption date.

Forestdale, Inc.

Notes to Financial Statements
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5. Property, Plant and Equipment

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

	2016	2015
Land	\$ 100,868	\$ 100,868
Buildings and improvements	676,733	676,733
Furniture and equipment	261,028	261,028
Vehicles	64,960	42,032
	1,103,589	1,080,661
Accumulated depreciation and amortization	(848,640)	(799,805)
	\$ 254,949	\$ 280,856

6. Board Designated Net Assets

Forestdale's Board of Directors designated a portion of the unrestricted net assets to be used for future program operations and capital improvements.

7. Temporarily Restricted Net Assets

Changes in the temporarily restricted net assets consist of the following for the years ended June 30:

Purpose / Restriction	2016			
	Beginning of Year	Additions	Net Assets Released	End of Year
Child Welfare Fund/Dammann Fund/Shoolman Fund/NY Community Trust	\$ 49,681	\$ 242,500	\$ (29,132)	\$ 263,049
Culture for One	128,970	289,348	(305,002)	113,316
Cicatelli	-	66,600	(48,609)	17,991
Inwood House/Maternity Early Childhood	-	30,000	(30,000)	-
Trauma Systems Therapy	-	162,000	(109,547)	52,453
Strong Mothers	-	109,000	(61,117)	47,883
Teaching Kitchen	-	25,000	(1,645)	23,355
Department of Health	11,784	93,655	(87,903)	17,536
Scholarships	-	102,525	-	102,525
Caplin Foundation	-	27,765	(27,765)	-
TD Bank	-	5,000	(5,000)	-
Unappropriated endowment earnings	80,238	(2,824)	-	77,414
	\$ 270,673	\$ 1,150,569	\$ (705,720)	\$ 715,522

Forestdale, Inc.

Notes to Financial Statements
June 30, 2016

7. Temporarily Restricted Net Assets (continued)

Purpose / Restriction	2015			
	Beginning of Year	Additions	Net Assets Released	End of Year
Frishman Noble Relyea Scholarship Fund	\$ 35,424	\$ 54	\$ (35,478)	\$ -
Child Welfare Fund/Dammann Fund/Shoolman Fund/NY Community Trust	55,018	145,000	(150,337)	49,681
Culture for One	103,729	198,151	(172,910)	128,970
Cicatelli	1,012	34,197	(35,209)	-
Financial Empowerment Initiative	-	3,039	(3,039)	-
Inwood House/Maternity Early Childhood	28,370	75,507	(103,877)	-
JET Blue	19,998	-	(19,998)	-
Pinkerton	40,900	-	(40,900)	-
Department of Health	500	95,370	(84,086)	11,784
Feshbach Foundation	13,921	-	(13,921)	-
New York Community Trust	-	25,000	(25,000)	-
Caplin Foundation	10,000	30,000	(40,000)	-
DYCD	-	25,000	(25,000)	-
TD Bank	-	5,000	(5,000)	-
Unappropriated endowment earnings	81,184	(946)	-	80,238
	<u>\$ 390,056</u>	<u>\$ 635,372</u>	<u>\$ (754,755)</u>	<u>\$ 270,673</u>

8. Permanently Restricted Net Assets

Permanently restricted net assets represent donor restricted contributions to be held in perpetuity, the income from which is expended to support the programs and operations of Forestdale.

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 permanently restricted net assets (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 that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the board in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2016

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:

	2016			
	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$18,532,754	\$ 80,238	\$ 187,295	\$ 18,800,287
Investment income, net	569,186	5,587	-	574,773
Donated stock	2,500	-	-	2,500
Realized/unrealized loss on investments	(858,734)	(8,411)	-	(867,145)
Appropriation for expenditure	(500,000)	-	-	(500,000)
Balance, end of year	<u>\$ 17,745,706</u>	<u>\$ 77,414</u>	<u>\$ 187,295</u>	<u>\$ 18,010,415</u>
	2015			
	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$19,041,534	\$ 81,184	\$ 187,295	\$ 19,310,013
Investment income, net	328,469	3,616	-	332,085
Realized/unrealized loss on investments	(437,249)	(4,562)	-	(441,811)
Appropriation for expenditure	(400,000)	-	-	(400,000)
Balance, end of year	<u>\$ 18,532,754</u>	<u>\$ 80,238</u>	<u>\$ 187,295</u>	<u>\$ 18,800,287</u>

Forestdale, Inc.

Notes to Financial Statements
June 30, 2016

10. Pension Plan

Forestdale has a defined contribution pension plan which covers all employees meeting eligibility requirements. Pension expense was \$421,241 and \$334,379 for the years ended June 30, 2016 and 2015.

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 has a lease agreement to operate one of its programs which expires on June 21, 2019. The minimum lease payments under the terms of the agreement are as follows:

2017	\$ 58,300
2018	59,325
2019	<u>60,225</u>
	<u>\$177,850</u>

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