

**Forestdale, Inc.**

Financial Statements

June 30, 2017

## 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, 2017, 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, 2017, 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.

**Board of Directors**  
**Forestdale, Inc.**  
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***Report on Summarized Comparative Information***

We have previously audited Forestdale, Inc.'s June 30, 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

*PKF O'Connor Davies, LLP*

October 27, 2017

**Forestdale, Inc.**

Statement of Financial Position  
June 30, 2017  
(with comparative amounts at June 30, 2016)

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 654,355	\$ 1,237,426
Due from governmental agencies	3,399,823	2,725,152
Prepaid expenses and other assets	49,020	108,714
Investments	19,131,853	17,823,120
Property, plant and equipment, net	223,316	254,949
Restricted investments	<u>187,295</u>	<u>187,295</u>
	<u>\$ 23,645,662</u>	<u>\$ 22,336,656</u>
<b>LIABILITIES AND NET ASSETS</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 110,570	\$ 216,888
Accrued payroll and benefits	359,573	372,763
Accrued foster care payments	<u>425,160</u>	<u>371,797</u>
Total Liabilities	<u>895,303</u>	<u>961,448</u>
Net Assets		
Unrestricted		
Operating	2,556,150	2,471,736
Investment in property, plant and equipment	223,316	254,949
Board designated	<u>19,036,125</u>	<u>17,745,706</u>
Total Unrestricted	21,815,591	20,472,391
Temporarily restricted	747,473	715,522
Permanently restricted	<u>187,295</u>	<u>187,295</u>
Total Net Assets	<u>22,750,359</u>	<u>21,375,208</u>
	<u>\$ 23,645,662</u>	<u>\$ 22,336,656</u>

See notes to financial statements

## Forestdale, Inc.

### Statement of Activities Year Ended June 30, 2017 (with summarized totals for the year ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2017 Total	2016 Total
<b>OPERATING INCOME</b>					
Foster boarding homes	\$ 9,319,319	\$ -	\$ -	\$ 9,319,319	\$ 9,603,794
Medicaid	2,802,845	-	-	2,802,845	3,276,561
Preventive services	2,003,965	-	-	2,003,965	2,015,733
Infant mortality reduction	45,852	-	-	45,852	86,169
Forestdale fathering initiative	631,087	-	-	631,087	615,650
Child Success NYC	2,302,826	-	-	2,302,826	2,391,715
Contributions and grants (including in-kind of \$91,499 and \$167,003 for fiscal 2017 and 2016)	210,475	1,029,888	-	1,240,363	1,454,038
Special event revenue, net of direct benefit to donors of \$40,260 and \$43,362	36,190	-	-	36,190	48,449
Investment return used in operations	479,000	-	-	479,000	350,000
Net assets released from restrictions	1,016,251	(1,016,251)	-	-	-
Total Operating Income	18,847,810	13,637	-	18,861,447	19,842,109
<b>OPERATING EXPENSES</b>					
Program services	16,788,530	-	-	16,788,530	16,881,236
Supporting Services					
Management and general	1,890,706	-	-	1,890,706	1,851,171
Fundraising	115,913	-	-	115,913	208,141
Total Operating Expenses	18,795,149	-	-	18,795,149	18,940,548
Excess of Operating Income over Operating Expenses	52,661	13,637	-	66,298	901,561
<b>NON OPERATING ACTIVITY</b>					
Investment return	1,290,539	18,314	-	1,308,853	(642,374)
Change in Net Assets	1,343,200	31,951	-	1,375,151	259,187
<b>NET ASSETS</b>					
Beginning of year	20,472,391	715,522	187,295	21,375,208	21,116,021
End of year	\$ 21,815,591	\$ 747,473	\$ 187,295	\$ 22,750,359	\$ 21,375,208

See notes to financial statements

## Forestdale, Inc.

### Statement of Functional Expenses Year Ended June 30, 2017 (with summarized totals for the year ended June 30, 2016)

	Program Services							Supporting Services			2017 Total	2016 Total
	Foster Boarding Homes (FBH, MTFC, TFFC)	Medicaid	Preventive Services	Child Success NYC Preventive	Child Success NYC Waiver	Forestdale Fathering Initiative	Other Programs	Total Program Services	Management and General	Fundraising		
<b>PERSONNEL</b>												
Salaries	\$ 1,985,780	\$ 793,495	\$ 1,134,133	\$ 640,306	\$ 667,000	\$ 397,439	\$ 419,211	\$ 6,037,364	\$ 1,248,373	\$ -	\$ 7,285,737	\$ 7,272,812
Employee benefits and payroll taxes	597,077	238,585	341,007	192,525	200,551	119,686	126,859	1,816,290	375,356	-	2,191,646	2,217,041
Total Personnel	<u>2,582,857</u>	<u>1,032,080</u>	<u>1,475,140</u>	<u>832,831</u>	<u>867,551</u>	<u>517,125</u>	<u>546,070</u>	<u>7,853,654</u>	<u>1,623,729</u>	<u>-</u>	<u>9,477,383</u>	<u>9,489,853</u>
<b>OTHER EXPENSES</b>												
Children's allowances and pass-thru (including in-kind of \$91,499 and \$167,003 for fiscal 2017 and 2016)	4,702,321	-	-	56,220	-	-	433,832	5,192,373	-	91,499	5,283,872	5,363,727
Transportation and workers expense	83,669	2,144	16,898	1,462	13,298	70	5,078	122,619	53,825	2,672	179,116	185,382
Purchase of services	549,689	86,981	83,818	91,725	29,919	41,333	191,681	1,075,146	17,349	13,545	1,106,040	1,184,277
Purchase of health services	-	1,109,539	44,624	-	-	-	-	1,154,163	-	-	1,154,163	1,273,619
Supplies and equipment	55,692	9,948	8,016	5,407	3,644	-	1,050	83,757	13,967	21	97,745	86,105
Supplies and equipment - medical	-	350,463	-	-	-	-	-	350,463	-	-	350,463	341,223
Rent - furniture and equipment	-	-	24,600	-	-	-	-	24,600	-	-	24,600	19,300
Rent - office space	-	-	-	-	-	36,000	-	36,000	-	-	36,000	33,600
Utilities	37,102	15,828	10,308	3,602	2,428	22,364	2,932	94,564	9,304	-	103,868	102,275
Repairs and maintenance	78,630	21,668	18,322	6,342	4,274	2,229	-	131,465	16,382	-	147,847	96,075
Telephone	15,815	5,028	6,780	3,394	3,536	2,384	314	37,251	6,620	-	43,871	46,467
Postage	3,400	1,359	1,941	1,096	1,142	199	103	9,240	2,137	91	11,468	22,599
Dues, licenses and permits	7,118	-	-	-	-	-	-	7,118	37,071	320	44,509	50,375
Office supplies	19,077	11,579	13,936	6,151	6,408	720	573	58,444	11,993	7,765	78,202	65,554
Subscriptions and publications	-	-	-	-	-	-	-	-	925	-	925	1,349
Conferences	-	-	-	-	-	-	-	-	-	-	-	738
Administrative	-	-	-	-	-	-	-	-	9,373	-	9,373	22,497
Staff development	17,981	15	-	-	-	-	20,075	38,071	30,998	-	69,069	25,741
Publicity and recruitment	12,659	-	-	593	-	-	-	13,252	5,781	-	19,033	26,069
Professional services	297,627	7,236	10,342	5,840	6,082	1,783	544	329,454	13,590	-	343,044	279,873
Insurance	52,554	21,000	30,015	16,946	17,652	10,134	1,585	149,886	33,039	-	182,925	175,015
Depreciation and amortization	18,436	3,294	2,284	1,790	1,206	-	-	27,010	4,623	-	31,633	48,835
Total Other Expenses	<u>5,951,770</u>	<u>1,646,082</u>	<u>271,884</u>	<u>200,568</u>	<u>89,589</u>	<u>117,216</u>	<u>657,767</u>	<u>8,934,876</u>	<u>266,977</u>	<u>115,913</u>	<u>9,317,766</u>	<u>9,450,695</u>
Total Expenses	<u>\$ 8,534,627</u>	<u>\$ 2,678,162</u>	<u>\$ 1,747,024</u>	<u>\$ 1,033,399</u>	<u>\$ 957,140</u>	<u>\$ 634,341</u>	<u>\$ 1,203,837</u>	<u>\$ 16,788,530</u>	<u>\$ 1,890,706</u>	<u>\$ 115,913</u>	<u>\$ 18,795,149</u>	<u>\$ 18,940,548</u>

See notes to financial statements

**Forestdale, Inc.**

Statement of Cash Flows  
Year Ended June 30, 2017

(with comparative amounts for the year ended June 30, 2016)

	2017	2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,375,151	\$ 259,187
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	31,633	48,835
Realized (gain) loss on investments	(36,974)	392,138
Unrealized (gain) loss on investments	(1,280,161)	475,007
Changes in operating assets and liabilities		
Due from governmental agencies	(674,671)	471,738
Prepaid expenses and other assets	59,694	(97,907)
Accounts payable and accrued expenses	(106,318)	(388,587)
Accrued payroll and benefits	(13,190)	(257,397)
Accrued foster care payments	53,363	(29,743)
Net Cash from Operating Activities	(591,473)	873,271
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	-	(22,928)
Purchase of investments	(533,588)	(5,092,043)
Proceeds from sale of investments	541,990	5,014,770
Net Cash from Investing Activities	8,402	(100,201)
Net Change in Cash and Cash Equivalents	(583,071)	773,070
 <b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	1,237,426	464,356
End of year	\$ 654,355	\$ 1,237,426

See notes to financial statements

## Forestdale, Inc.

Notes to Financial Statements  
June 30, 2017

### 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.

#### ***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.

#### ***Investments Valuations***

Investments are carried at fair value. Certificates of deposit are carried at cost plus accrued interest which approximate fair value. The fair value of hedge funds are estimated using the net asset value ("NAV") as reported by the management of the respective hedge fund. U.S. GAAP guidance provides for the use of NAV as a "*Practical Expedient*" for estimating fair value of hedge funds.

Pursuant to U.S. GAAP guidance, investments where fair value is measured using the NAV per share as a practical expedient are not categorized within the fair value hierarchy.



## Forestdale, Inc.

Notes to Financial Statements  
June 30, 2017

### 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 2017 and 2016.

#### ***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, 2017

### 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, 2017

### **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, 2016 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 2014.

#### ***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, 2017.

### **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 \$3,399,823 and \$2,725,152 as of June 30, 2017 and 2016. Management has determined that all receivables due from governmental agencies are collectible, and there is no need for an allowance at June 30, 2017 and 2016.

**Forestdale, Inc.**

Notes to Financial Statements  
June 30, 2017

**3. Concentration of Credit Risk (continued)**

The percentage of the total amount due from governmental agencies by third party payor was as follows at June 30,:

	2017	2016
New York City	85%	83%
Medicaid	<u>15%</u>	<u>17%</u>
	<u>100%</u>	<u>100%</u>

**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:

	2017		
	Level 1	Investments Valued Using NAV (*)	Total
Investments:			
Money market funds	\$ 29,605	\$ -	\$ 29,605
Mutual Funds			
Bond funds	6,755,042	-	6,755,042
Equity funds	10,579,158	-	10,579,158
Hedge fund	-	<u>1,955,343</u>	<u>1,955,343</u>
Total Investments	<u>\$ 17,363,805</u>	<u>\$ 1,955,343</u>	<u>\$ 19,319,148</u>
	2016		
	Level 1	Investments Valued Using NAV (*)	Total
Investments:			
Money market funds	\$ 13,176	\$ -	\$ 13,176
Mutual Funds			
Bond funds	6,526,482	-	6,526,482
Equity funds	9,660,190	-	9,660,190
Hedge fund	-	<u>1,810,567</u>	<u>1,810,567</u>
Total Investments	<u>\$ 16,199,848</u>	<u>\$ 1,810,567</u>	<u>\$ 18,010,415</u>

(\*) 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, 2017

**4. Investments (continued)**

The composition of investment return for the years ended June 30 is as follows:

	2017	2016
Interest on cash and cash equivalents	\$ 128	\$ -
Interest and dividends	529,297	627,813
Realized and unrealized gain (loss) on investments	1,317,135	(867,145)
Investment fees	(58,707)	(53,042)
	\$ 1,787,853	\$ (292,374)

Information regarding alternative investments measured at NAV at June 30, 2017 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund	<u>\$1,955,343</u>	<u>\$ -</u>	Semi-Annual	95 days

The hedge fund (“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  
June 30, 2017

**5. Property, Plant and Equipment**

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

	2017	2016
Land	\$ 100,868	\$ 100,868
Buildings and improvements	676,733	676,733
Furniture and equipment	160,009	160,009
Computer software and hardware	101,019	101,019
Vehicles	64,961	64,961
	1,103,590	1,103,590
Accumulated depreciation and amortization	(880,274)	(848,641)
	\$ 223,316	\$ 254,949

**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	2017			
	Beginning of Year	Additions	Net Assets Released	End of Year
Child Welfare Fund/Dammann Fund/Shoolman Fund/NY Community Trust	\$ 263,049	\$ 245,000	\$ (177,408)	\$ 330,641
Cicatelli	17,991	20,750	(38,741)	-
Culture for One	113,316	297,917	(406,558)	4,675
Department of Health	17,536	89,179	(84,228)	22,487
Scholarships	102,525	2,342	(32,142)	72,725
Solutions-based Casework	-	75,000	(32,728)	42,272
Strong Mothers	47,883	181,200	(203,425)	25,658
Teaching Kitchen	23,355	-	(2,680)	20,675
Trauma Systems Therapy	52,453	61,000	(4,715)	108,738
Workforce Development	-	57,500	(33,626)	23,874
Unappropriated endowment earnings	77,414	18,314	-	95,728
	\$ 715,522	\$ 1,048,202	\$(1,016,251)	\$ 747,473

**Forestdale, Inc.**

Notes to Financial Statements  
June 30, 2017

**7. Temporarily Restricted Net Assets (continued)**

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
	<u>\$ 270,673</u>	<u>\$ 1,150,569</u>	<u>\$ (705,720)</u>	<u>\$ 715,522</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.**

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**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:

	2017			Total
	Board Designated	Temporarily Restricted	Permanently Restricted	
Balance, beginning of year	\$ 17,745,706	\$ 77,414	\$ 187,295	\$ 18,010,415
Investment income, net	461,823	4,482	-	466,305
Donated stock	4,293	-	-	4,293
Realized/unrealized gain on investments	1,303,303	13,832	-	1,317,135
Appropriation for expenditure	(479,000)	-	-	(479,000)
Balance, end of year	<u>\$ 19,036,125</u>	<u>\$ 95,728</u>	<u>\$ 187,295</u>	<u>\$ 19,319,148</u>

	2016			Total
	Board Designated	Temporarily Restricted	Permanently Restricted	
Balance, beginning of year	\$ 18,532,754	\$ 80,238	\$ 187,295	\$ 18,800,287
Investment income, net	569,184	5,587	-	574,771
Donated stock	2,502	-	-	2,502
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>



**Forestdale, Inc.**

Notes to Financial Statements  
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**10. Pension Plan**

Forestdale has a defined contribution pension plan which covers all employees meeting eligibility requirements. Pension expense was \$458,895 and \$421,241 for the years ended June 30, 2017 and 2016.

**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:

2018	\$ 59,325
2019	<u>60,225</u>
	<u>\$ 119,550</u>

\* \* \* \* \*