

Forestdale, Inc.

Financial Statements

June 30, 2018

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, 2018, 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, 2018, 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
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Report on Summarized Comparative Information

We have previously audited Forestdale, Inc.'s June 30, 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

October 26, 2018

Forestdale, Inc.

Statement of Financial Position
June 30, 2018
(with comparative amounts at June 30, 2017)

	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and cash equivalents	\$ 671,318	\$ 654,355
Due from governmental agencies	3,655,892	3,399,823
Prepaid expenses and other assets	35,973	49,020
Investments	19,820,263	19,131,853
Property, plant and equipment, net	518,342	223,316
Restricted investments	<u>187,295</u>	<u>187,295</u>
	<u>\$ 24,889,083</u>	<u>\$ 23,645,662</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 371,283	\$ 110,570
Accrued payroll and benefits	389,823	359,573
Accrued foster care payments	<u>351,963</u>	<u>425,160</u>
Total Liabilities	<u>1,113,069</u>	<u>895,303</u>
Net Assets		
Without Donor Restrictions		
Operating	2,320,836	2,556,150
Investment in property, plant and equipment	518,342	223,316
Board designated	<u>19,718,283</u>	<u>19,036,125</u>
Total Net Assets without Donor Restrictions	22,557,461	21,815,591
With Donor Restrictions	<u>1,218,553</u>	<u>934,768</u>
Total Net Assets	<u>23,776,014</u>	<u>22,750,359</u>
	<u>\$ 24,889,083</u>	<u>\$ 23,645,662</u>

See notes to financial statements

Forestdale, Inc.

Statement of Activities
Year Ended June 30, 2018
(with summarized totals for the year ended June 30, 2017)

	Without Donor Restrictions	With Donor Restrictions	2018 Total	2017 Total
OPERATING INCOME				
Foster boarding homes	\$ 10,075,506	\$ -	\$ 10,075,506	\$ 9,319,319
Medicaid	2,652,973	-	2,652,973	2,802,845
Preventive services	2,429,304	-	2,429,304	2,003,965
Child Success NYC	2,344,800	-	2,344,800	2,302,826
Forestdale fathering initiative	383,717	-	383,717	631,087
Contributions and grants (including in-kind of \$64,618 and \$91,499 for fiscal 2018 and 2017)	152,810	1,251,659	1,404,469	1,240,363
Infant mortality reduction	75,312	-	75,312	45,852
Special event revenue, net of direct benefit to donors of \$37,926 and \$40,260	80,963	-	80,963	36,190
Investment return used in operations	545,000	-	545,000	479,000
Net assets released from restrictions	981,126	(981,126)	-	-
Total Operating Income	<u>19,721,511</u>	<u>270,533</u>	<u>19,992,044</u>	<u>18,861,447</u>
OPERATING EXPENSES				
Program services	17,549,421	-	17,549,421	16,788,530
Supporting Services				
Management and general	1,991,542	-	1,991,542	1,890,706
Fundraising	98,347	-	98,347	115,913
Total Operating Expenses	<u>19,639,310</u>	<u>-</u>	<u>19,639,310</u>	<u>18,795,149</u>
Excess of Operating Income over Operating Expenses	82,201	270,533	352,734	66,298
NON OPERATING ACTIVITY				
Investment return	<u>659,669</u>	<u>13,252</u>	<u>672,921</u>	<u>1,308,853</u>
Change in Net Assets	741,870	283,785	1,025,655	1,375,151
NET ASSETS				
Beginning of year	<u>21,815,591</u>	<u>934,768</u>	<u>22,750,359</u>	<u>21,375,208</u>
End of year	<u>\$ 22,557,461</u>	<u>\$ 1,218,553</u>	<u>\$ 23,776,014</u>	<u>\$ 22,750,359</u>

See notes to financial statements

Forestdale, Inc.

Statement of Functional Expenses Year Ended June 30, 2018 (with summarized totals for the year ended June 30, 2017)

	Program Services							Supporting Services			2018 Total	2017 Total	
	Foster Boarding Homes (FBH, MTFC, TFFC)	Foster Boarding Homes (HAF, TRD)	Medicaid	Preventive Services	Child Success NYC Preventive	Child Success NYC Waiver	Forestdale Fathering Initiative	Other Programs	Total Program Services	Management and General			Fundraising
PERSONNEL													
Salaries	\$ 2,064,429	\$ 166,624	\$ 628,496	\$ 1,371,570	\$ 669,556	\$ 699,000	\$ 275,273	\$ 523,141	\$ 6,398,089	\$ 1,275,274	\$ -	\$ 7,673,363	\$ 7,285,737
Employee benefits and payroll taxes	603,665	48,723	183,779	401,064	195,787	204,396	83,335	152,707	1,873,456	372,906	-	2,246,362	2,191,646
Total Personnel	<u>2,668,094</u>	<u>215,347</u>	<u>812,275</u>	<u>1,772,634</u>	<u>865,343</u>	<u>903,396</u>	<u>358,608</u>	<u>675,848</u>	<u>8,271,545</u>	<u>1,648,180</u>	<u>-</u>	<u>9,919,725</u>	<u>9,477,383</u>
OTHER EXPENSES													
Children's allowances and pass-thru (including in-kind of \$64,618 and \$91,499 for fiscal 2018 and 2017)	4,641,957	-	-	-	42,565	-	-	149,878	4,834,400	-	64,618	4,899,018	5,283,872
Transportation and workers expense	87,524	-	3,974	16,702	1,170	15,681	-	2,474	127,525	52,726	302	180,553	179,116
Purchase of services	661,916	96,520	204,664	111,427	86,363	31,045	19,074	245,332	1,456,341	59,666	22,516	1,538,523	1,106,040
Purchase of health services	-	-	1,281,238	29,122	-	-	-	-	1,310,360	-	-	1,310,360	1,154,163
Supplies and equipment	64,735	1,875	11,896	8,524	6,467	4,358	-	30	97,885	16,705	-	114,590	97,745
Supplies and equipment - medical	-	-	338,081	-	-	-	-	15,402	353,483	-	-	353,483	350,463
Rent - furniture and equipment	-	-	-	27,725	-	-	-	-	27,725	-	-	27,725	24,600
Rent - office space	-	-	-	36,000	-	-	-	-	36,000	-	-	36,000	36,000
Utilities	44,464	1,288	8,171	17,700	4,442	2,994	6,000	1,350	86,409	11,475	-	97,884	103,868
Repairs and maintenance	76,021	2,016	12,792	37,270	6,954	4,686	-	-	139,739	17,962	-	157,701	147,847
Telephone	15,589	802	3,993	9,490	3,226	3,368	1,800	123	38,391	6,145	-	44,536	43,871
Postage	3,523	284	1,072	2,340	1,143	1,193	-	44	9,599	2,177	93	11,869	11,468
Dues, licenses and permits	7,872	-	100	-	-	-	-	-	7,972	33,162	-	41,134	44,509
Office supplies	32,361	2,610	10,520	62,075	10,496	10,957	-	442	129,461	19,990	9,935	159,386	78,202
Subscriptions and publications	-	-	-	-	-	-	-	-	-	722	146	868	925
Administrative	-	-	-	-	-	-	-	-	-	13,626	-	13,626	9,373
Staff development	25,024	-	1,694	-	411	-	-	2,098	29,227	31,532	44	60,803	69,069
Publicity and recruitment	29,614	354	1,333	2,910	18,928	1,483	-	54	54,676	2,705	693	58,074	19,033
Professional services	307,814	1,597	6,026	13,149	6,419	6,701	2,580	245	344,531	34,537	-	379,068	343,044
Insurance	55,967	4,517	17,039	37,183	18,152	18,950	8,604	694	161,106	34,573	-	195,679	182,925
Depreciation and amortization	21,922	635	4,029	2,794	2,190	1,476	-	-	33,046	5,659	-	38,705	31,633
Total Other Expenses	<u>6,076,303</u>	<u>112,498</u>	<u>1,906,622</u>	<u>414,411</u>	<u>208,926</u>	<u>102,892</u>	<u>38,058</u>	<u>418,166</u>	<u>9,277,876</u>	<u>343,362</u>	<u>98,347</u>	<u>9,719,585</u>	<u>9,317,766</u>
Total Expenses	\$ <u>8,744,397</u>	\$ <u>327,845</u>	\$ <u>2,718,897</u>	\$ <u>2,187,045</u>	\$ <u>1,074,269</u>	\$ <u>1,006,288</u>	\$ <u>396,666</u>	\$ <u>1,094,014</u>	\$ <u>17,549,421</u>	\$ <u>1,991,542</u>	\$ <u>98,347</u>	\$ <u>19,639,310</u>	\$ <u>18,795,149</u>

See notes to financial statements

Forestdale, Inc.

Statement of Cash Flows
Year Ended June 30, 2018

(with comparative amounts for the year ended June 30, 2017)

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,025,655	\$ 1,375,151
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	38,705	31,633
Realized gain on investments	(95,463)	(36,974)
Unrealized gain on investments	(352,037)	(1,280,161)
Changes in operating assets and liabilities		
Due from governmental agencies	(256,069)	(674,671)
Prepaid expenses and other assets	13,047	59,694
Accounts payable and accrued expenses	260,713	(106,318)
Accrued payroll and benefits	30,250	(13,190)
Accrued foster care payments	<u>(73,197)</u>	<u>53,363</u>
Net Cash from Operating Activities	<u>591,604</u>	<u>(591,473)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(333,731)	-
Purchase of investments	(16,114,815)	(533,588)
Proceeds from sale of investments	<u>15,873,905</u>	<u>541,990</u>
Net Cash from Investing Activities	<u>(574,641)</u>	<u>8,402</u>
Net Change in Cash and Cash Equivalents	16,963	(583,071)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>654,355</u>	<u>1,237,426</u>
End of year	<u>\$ 671,318</u>	<u>\$ 654,355</u>

See notes to financial statements

Forestdale, Inc.

Notes to Financial Statements
June 30, 2018

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.

Recently Adopted Accounting Pronouncements

On August 18, 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. Forestdale has adjusted the presentation of its financial statements accordingly, applying the changes retrospectively to all periods presented. The new standards change the following aspects of Forestdale's financial statements:

- The temporarily restricted and permanently restricted net asset classes have been combined into a single net asset class called net assets with donor restrictions.
- The unrestricted net asset class has been renamed net assets without donor restrictions.

The changes have the following effect on net assets at June 30, 2017:

Net Asset Class	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 21,815,591	\$ -
Temporarily restricted net assets	747,473	-
Permanently restricted net assets	187,295	-
Net assets without donor restrictions	-	21,815,591
Net assets with donor restrictions	-	934,768
Total Net Assets	\$ 22,750,359	\$ 22,750,359

Forestdale, Inc.

Notes to Financial Statements
June 30, 2018

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

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.

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

Forestdale, Inc.

Notes to Financial Statements
June 30, 2018

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

Property, Plant and Equipment (continued)

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 2018 and 2017.

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 temporarily to be used for specific activities or at some future date, or which require Forestdale to maintain permanently, 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.

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 consist of investment return, net of amounts appropriated for operating purposes.

Contributions and Promises to Give

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

In-kind Contributions

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

Forestdale, Inc.

Notes to Financial Statements
June 30, 2018

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.

Functional Allocation of Expenses

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

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, 2017 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 2015.

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 26, 2018.

Forestdale, Inc.

Notes to Financial Statements June 30, 2018

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:

Cash	\$ 671,318
Due from governmental agencies	3,655,892
Less: assets with donor restrictions	<u>(929,278)</u>
Total Available for General Expenditure	<u>\$3,397,932</u>

Forestdale's endowment funds consist of funds 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 \$19,718,283 is subject to an annual spending rate of 4% as described in Note 9. Although Forestdale does not intend to spend from the board-designated endowment, other than amounts appropriated for general expenditure as part of the annual budget approval and appropriation, these amounts could be made available if necessary.

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 2018, \$552,000 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 \$3,655,892 and \$3,399,823 as of June 30, 2018 and 2017. Management has determined that all receivables due from governmental agencies are collectible, and there is no need for an allowance at June 30, 2018 and 2017.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2018

4. 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:

	2018	2017
New York City	89%	85%
Medicaid	<u>11%</u>	<u>15%</u>
	<u>100%</u>	<u>100%</u>

5. 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:

	2018		
	Level 1	Investments Valued Using NAV (*)	Total
Investments:			
Mutual Funds			
Bond funds	\$ 4,087,380	\$ -	\$ 4,087,380
Equity funds	<u>15,920,178</u>	-	<u>15,920,178</u>
Total Investments	<u>\$ 20,007,558</u>	<u>\$ -</u>	<u>\$ 20,007,558</u>
	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>

(*) 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, 2018

6. Property, Plant and Equipment

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

	2018	2017
Land	\$ 100,868	\$ 100,868
Buildings and improvements	935,684	676,733
Furniture and equipment	160,009	160,009
Computer software and hardware	101,019	101,019
Vehicles	86,689	64,961
	1,384,269	1,103,590
Accumulated depreciation and amortization	(865,927)	(880,274)
	\$ 518,342	\$ 223,316

7. Net Assets with Donor Restrictions

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

Purpose / Restriction	2018			
	Beginning of Year	Additions	Net Assets Released	End of Year
Restricted by Purpose				
Child Welfare Fund/Dammann Fund/Shoolman Fund/NY Community Trust	\$ 330,641	\$ 40,000	\$ (186,334)	\$ 184,307
Cicatelli	-	5,000	(5,000)	-
Culture for One	4,675	1,442	(6,117)	-
Department of Health	22,487	84,260	(83,645)	23,102
Scholarships	72,725	100,000	(124,585)	48,140
Solutions-based Casework	42,272	75,000	(60,890)	56,382
Strong Mothers/Fathers	25,658	670,882	(275,574)	420,966
Teaching Kitchen	20,675	-	-	20,675
Trauma Systems Therapy	108,738	176,000	(152,242)	132,496
Workforce Development	23,874	99,075	(79,739)	43,210
Unappropriated endowment earnings	95,728	13,252	(7,000)	101,980
Total Restricted by Purpose	747,473	1,264,911	(981,126)	1,031,258
Perpetual in nature	187,295	-	-	187,295
Total Net Assets with Donor Restrictions	\$ 934,768	\$ 1,264,911	\$ (981,126)	\$1,218,553

Forestdale, Inc.

Notes to Financial Statements
June 30, 2018

7. Net Assets with Donor Restrictions (continued)

Purpose / Restriction	2017			
	Beginning of Year	Additions	Net Assets Released	End of Year
Restricted by Purpose				
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/Fathers	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
Total Restricted by Purpose	<u>715,522</u>	<u>1,048,202</u>	<u>(1,016,251)</u>	<u>747,473</u>
Perpetual in nature	187,295	-	-	187,295
Total Net Assets with Donor Restrictions	<u>\$ 902,817</u>	<u>\$ 1,048,202</u>	<u>\$ (1,016,251)</u>	<u>\$ 934,768</u>

8. Board Designated Net Assets

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

9. Endowment Funds

Application of Law

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

Forestdale, Inc.

Notes to Financial Statements June 30, 2018

9. 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:

	2018		
	Board Designated	With Donor Restrictions	Total
Balance, beginning of year	\$ 19,036,125	\$ 283,023	\$ 19,319,148
Investment income, net	607,749	6,556	614,305
Donated stock	4,024	-	4,024
Realized/unrealized gain on investments	615,385	6,696	622,081
Appropriation for expenditure	(545,000)	(7,000)	(552,000)
Balance, end of year	<u>\$ 19,718,283</u>	<u>\$ 289,275</u>	<u>\$ 20,007,558</u>

Forestdale, Inc.

Notes to Financial Statements
June 30, 2018

9. Endowment Funds (continued)

Spending Policy (continued)

	2017		
	Board Designated	With Donor Restrictions	Total
Balance, beginning of year	\$ 17,745,706	\$ 264,709	\$ 18,010,415
Investment income, net	461,823	4,482	466,305
Donated stock	4,293	-	4,293
Realized/unrealized loss 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>\$ 283,023</u>	<u>\$ 19,319,148</u>

10. Pension Plan

Forestdale has a defined contribution pension plan which covers all employees meeting eligibility requirements. Pension expense was \$399,751 and \$458,895 for the years ended June 30, 2018 and 2017.

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. Minimum lease payments under the terms of the agreement for the year ending June 30, 2019 total \$60,225.

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