

Forestdale, Inc.

Financial Statements

June 30, 2019

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, 2019, 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, 2019, 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, 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 26, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

October 25, 2019

Forestdale, Inc.

Statement of Financial Position
June 30, 2019
(with comparative amounts at June 30, 2018)

	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and cash equivalents	\$ 533,208	\$ 671,318
Due from governmental agencies	4,382,782	3,655,892
Prepaid expenses and other assets	58,941	35,973
Investments	20,537,738	19,820,263
Property, plant and equipment, net	1,112,167	518,342
Restricted investments	<u>187,295</u>	<u>187,295</u>
	<u>\$ 26,812,131</u>	<u>\$ 24,889,083</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 367,507	\$ 371,283
Accrued payroll and benefits	414,651	389,823
Accrued foster care payments	<u>378,189</u>	<u>351,963</u>
Total Liabilities	<u>1,160,347</u>	<u>1,113,069</u>
Net Assets		
Without Donor Restrictions		
Operating	2,501,465	2,320,836
Investment in property, plant and equipment	1,112,167	518,342
Board designated	<u>20,429,247</u>	<u>19,718,283</u>
Total Net Assets Without Donor Restrictions	24,042,879	22,557,461
With Donor Restrictions	<u>1,608,905</u>	<u>1,218,553</u>
Total Net Assets	<u>25,651,784</u>	<u>23,776,014</u>
	<u>\$ 26,812,131</u>	<u>\$ 24,889,083</u>

See notes to financial statements

Forestdale, Inc.

Statement of Activities Year Ended June 30, 2019 (with summarized totals for the year ended June 30, 2018)

	Without Donor Restrictions	With Donor Restrictions	2019 Total	2018 Total
OPERATING INCOME				
Foster boarding homes	\$ 9,645,598	\$ -	\$ 9,645,598	\$ 10,075,506
Medicaid	3,247,758	-	3,247,758	2,652,973
Preventive services	3,716,397	-	3,716,397	2,429,304
Child Success NYC	2,344,800	-	2,344,800	2,344,800
Forestdale fathering initiative	381,177	-	381,177	383,717
Contributions and grants (including in-kind of \$73,730 and \$64,618 for fiscal 2019 and 2018)	170,762	1,628,013	1,798,775	1,404,469
Infant mortality reduction	86,786	-	86,786	75,312
Special event revenue, net of direct benefit to donors of \$41,113 and \$37,926	75,088	-	75,088	80,963
Investment return used in operations	548,000	-	548,000	545,000
Net assets released from restrictions	<u>1,252,172</u>	<u>(1,252,172)</u>	<u>-</u>	<u>-</u>
Total Operating Income	<u>21,468,538</u>	<u>375,841</u>	<u>21,844,379</u>	<u>19,992,044</u>
OPERATING EXPENSES				
Program services	18,668,219	-	18,668,219	17,549,421
Supporting Services				
Management and general	1,907,381	-	1,907,381	1,991,542
Fundraising	<u>150,480</u>	<u>-</u>	<u>150,480</u>	<u>98,347</u>
Total Operating Expenses	<u>20,726,080</u>	<u>-</u>	<u>20,726,080</u>	<u>19,639,310</u>
Excess of Operating Income over Operating Expenses	742,458	375,841	1,118,299	352,734
NON OPERATING ACTIVITY				
Investment return	<u>742,960</u>	<u>14,511</u>	<u>757,471</u>	<u>672,921</u>
Change in Net Assets	1,485,418	390,352	1,875,770	1,025,655
NET ASSETS				
Beginning of year	<u>22,557,461</u>	<u>1,218,553</u>	<u>23,776,014</u>	<u>22,750,359</u>
End of year	<u>\$ 24,042,879</u>	<u>\$ 1,608,905</u>	<u>\$ 25,651,784</u>	<u>\$ 23,776,014</u>

See notes to financial statements

Forestdale, Inc.

Statement of Functional Expenses Year Ended June 30, 2019 (with summarized totals for the year ended June 30, 2018)

	Program Services							Supporting Services			2019 Total	2018 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	\$ 2,077,171	\$ 209,659	\$ 958,730	\$ 2,159,156	\$ 669,556	\$ 699,000	\$ 273,595	\$ 689,732	\$ 7,736,599	\$ 1,219,930	\$ 45,506	\$ 9,002,035	\$ 7,673,363
Employee benefits and payroll taxes	610,100	61,580	281,595	634,181	196,660	205,308	84,897	204,026	2,278,347	358,314	13,366	2,650,027	2,246,362
Total Personnel	<u>2,687,271</u>	<u>271,239</u>	<u>1,240,325</u>	<u>2,793,337</u>	<u>866,216</u>	<u>904,308</u>	<u>358,492</u>	<u>893,758</u>	<u>10,014,946</u>	<u>1,578,244</u>	<u>58,872</u>	<u>11,652,062</u>	<u>9,919,725</u>
OTHER EXPENSES													
Children's allowances and pass-through (including in-kind of \$73,730 and \$64,618 for fiscal 2019 and 2018)	4,363,026	-	-	-	45,198	-	-	48,247	4,456,471	-	73,730	4,530,201	4,899,018
Transportation and workers expense	82,506	80	6,455	21,344	1,165	11,737	-	3,234	126,521	54,925	347	181,793	180,553
Purchase of services	578,155	98,715	157,096	164,251	93,291	22,260	3,328	305,201	1,422,297	39,615	1,400	1,463,312	1,538,523
Purchase of health services	-	-	1,091,049	21,607	-	-	-	-	1,112,656	-	-	1,112,656	1,310,360
Supplies and equipment	30,696	3,098	14,168	32,437	9,894	10,330	-	3,484	104,107	18,028	672	122,807	114,590
Supplies and equipment - medical	-	-	170,782	-	-	-	-	-	170,782	-	-	170,782	353,483
Rent - furniture and equipment	-	-	-	-	-	-	-	-	-	-	-	-	27,725
Rent - office space	-	-	-	66,675	-	-	-	-	66,675	-	-	66,675	36,000
Utilities	61,567	1,163	11,808	22,049	8,242	4,558	-	-	109,387	16,581	-	125,968	97,884
Repairs and maintenance	147,963	2,795	28,378	40,043	19,807	10,956	-	6,090	256,032	39,848	-	295,880	157,701
Telephone	10,460	752	3,978	7,744	2,402	2,507	-	846	28,689	5,113	164	33,966	44,536
Postage	1,938	196	894	2,014	625	652	-	220	6,539	1,138	2,292	9,969	11,869
Dues, licenses and permits	13,337	-	10,200	-	-	-	-	-	23,537	36,677	-	60,214	41,134
Office supplies	25,770	2,601	11,894	35,979	8,307	8,672	-	2,925	96,148	15,135	10,520	121,803	159,386
Subscriptions and publications	-	-	-	-	-	-	-	-	-	348	-	348	868
Conferences	-	-	-	-	-	-	-	-	-	1,074	-	1,074	-
Administrative	-	-	-	-	-	-	-	-	-	16,739	-	16,739	13,626
Staff development	39,283	-	-	5,842	426	-	-	3,265	48,816	19,391	-	68,207	60,803
Publicity and recruitment	17,436	463	2,118	4,770	17,853	1,544	-	521	44,705	2,695	1,101	48,501	58,074
Professional services	300,695	1,632	7,463	16,807	5,212	5,440	2,580	1,835	341,664	11,196	354	353,214	379,068
Insurance	45,400	4,582	20,955	47,192	14,634	15,278	16,777	5,153	169,971	26,664	995	197,630	195,679
Taxes	1,509	152	697	1,569	486	508	-	171	5,092	886	33	6,011	-
Special event	-	-	-	-	-	-	-	-	-	-	41,113	41,113	37,926
Depreciation and amortization	40,162	759	7,703	6,210	5,376	2,974	-	-	63,184	23,084	-	86,268	38,705
Total Other Expenses	<u>5,759,903</u>	<u>116,988</u>	<u>1,545,638</u>	<u>496,533</u>	<u>232,918</u>	<u>97,416</u>	<u>22,685</u>	<u>381,192</u>	<u>8,653,273</u>	<u>329,137</u>	<u>132,721</u>	<u>9,115,131</u>	<u>9,757,511</u>
Total Functional Expenses	8,447,174	388,227	2,785,963	3,289,870	1,099,134	1,001,724	381,177	1,274,950	18,668,219	1,907,381	191,593	20,767,193	19,677,236
Less: cost of direct benefit to donors	-	-	-	-	-	-	-	-	-	-	(41,113)	(41,113)	(37,926)
Total Expenses Reported by Function on Statement of Activities	<u>\$ 8,447,174</u>	<u>\$ 388,227</u>	<u>\$ 2,785,963</u>	<u>\$ 3,289,870</u>	<u>\$ 1,099,134</u>	<u>\$ 1,001,724</u>	<u>\$ 381,177</u>	<u>\$ 1,274,950</u>	<u>\$ 18,668,219</u>	<u>\$ 1,907,381</u>	<u>\$ 150,480</u>	<u>\$ 20,726,080</u>	<u>\$ 19,639,310</u>

See notes to financial statements

Forestdale, Inc.

Statement of Cash Flows
Year Ended June 30, 2019

(with comparative amounts for the year ended June 30, 2018)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,875,770	\$ 1,025,655
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	86,268	38,705
Realized gain on investments	(51,942)	(95,463)
Unrealized gain on investments	(742,140)	(352,037)
Changes in operating assets and liabilities		
Due from governmental agencies	(726,890)	(256,069)
Prepaid expenses and other assets	(22,968)	13,047
Accounts payable and accrued expenses	(3,776)	260,713
Accrued payroll and benefits	24,828	30,250
Accrued foster care payments	<u>26,226</u>	<u>(73,197)</u>
Net Cash from Operating Activities	<u>465,376</u>	<u>591,604</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(680,093)	(333,731)
Purchase of investments	(534,656)	(16,114,815)
Proceeds from sale of investments	<u>611,263</u>	<u>15,873,905</u>
Net Cash from Investing Activities	<u>(603,486)</u>	<u>(574,641)</u>
Net Change in Cash and Cash Equivalents	(138,110)	16,963
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>671,318</u>	<u>654,355</u>
End of year	<u>\$ 533,208</u>	<u>\$ 671,318</u>

See notes to financial statements

Forestdale, Inc.

Notes to Financial Statements
June 30, 2019

1. Organization and Tax Status

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

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

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

Allowance for Doubtful Accounts

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

Fair Value Measurements

Forestdale follows U.S. GAAP guidance on *Fair Value Measurements* which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest level of reliance and are related to assets with unadjusted quoted prices in active markets. Level 2 inputs relate to assets with other than quoted prices in active markets which may include quoted prices for similar assets or liabilities or other inputs which can be corroborated by observable market data. Level 3 inputs are unobservable inputs and are used to the extent that observable inputs do not exist. As of June 30, 2019 and 2018, all of Forestdale's investments were valued using level 1 inputs.

Investments Valuations

Investments are carried at fair value and are solely comprised of mutual funds. Mutual funds are valued at the net asset value of shares held by Forestdale at June 30, 2019 and 2018 as determined by quoted market prices.

Forestdale, Inc.

Notes to Financial Statements

June 30, 2019

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 2019 and 2018.

Net Asset Presentation

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

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

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

Forestdale, Inc.

Notes to Financial Statements
June 30, 2019

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

Operating Measure

The statement of activities separately reports changes in net assets from operating and non-operating activities. Operating activities consist principally of revenues and expenses related to ongoing activities. Non-operating activities 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 general use, unless specifically restricted by the donor or subject to other legal restrictions.

In-kind Contributions

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

Third-Party Reimbursement and Revenue Recognition

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

Functional Allocation of Expenses

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

Forestdale, Inc.

Notes to Financial Statements
June 30, 2019

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, 2018 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 2016.

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 25, 2019.

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	\$ 533,208
Due from governmental agencies	4,382,782
Less: assets with donor restrictions	<u>(1,313,119)</u>
Total Available for General Expenditure	<u>\$3,602,871</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 \$20,429,247 is subject to an annual spending rate of 4% as described in Note 8. 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 2019, \$556,000 of appropriated amounts were transferred.

Forestdale, Inc.

Notes to Financial Statements June 30, 2019

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 \$4,382,782 and \$3,655,892 as of June 30, 2019 and 2018. Management has determined that all receivables due from governmental agencies are collectible, and there is no need for an allowance at June 30, 2019 and 2018.

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

	<u>2019</u>	<u>2018</u>
New York City	88%	89%
Medicaid	<u>12%</u>	<u>11%</u>
	<u>100%</u>	<u>100%</u>

5. Property, Plant and Equipment

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

	<u>2019</u>	<u>2018</u>
Land	\$ 100,868	\$ 100,868
Buildings and improvements	1,557,364	935,684
Furniture and equipment	142,758	160,009
Computer software and hardware	127,819	101,019
Vehicles	<u>105,801</u>	<u>86,689</u>
	2,034,610	1,384,269
Accumulated depreciation and amortization	<u>(922,443)</u>	<u>(865,927)</u>
	<u>\$ 1,112,167</u>	<u>\$ 518,342</u>

Forestdale, Inc.

Notes to Financial Statements
June 30, 2019

6. Net Assets with Donor Restrictions

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

Purpose / Restriction	2019			
	Beginning of Year	Additions	Net Assets Released	End of Year
Restricted by Purpose				
Child Welfare Fund/Dammann Fund/ Shoolman Fund/NY Community Trust	\$ 184,307	\$ 140,000	\$ (96,123)	\$ 228,184
Cicatelli	-	17,000	(17,000)	-
Department of Health	23,102	22,509	(45,611)	-
Scholarships	48,140	100,000	(22,273)	125,867
Solutions-based Casework	56,382	95,500	(64,890)	86,992
Strong Mothers/Fathers	420,966	438,500	(177,281)	682,185
Teaching Kitchen	20,675	490,732	(511,407)	-
Trauma Systems Therapy	132,496	177,500	(165,507)	144,489
Vehicle Purchase	-	15,000	-	15,000
Wendy's Wonderful Kids	-	50,064	(50,064)	-
Workforce Development	43,210	81,208	(94,016)	30,402
Unappropriated endowment earnings	101,980	14,511	(8,000)	108,491
Total Restricted by Purpose	1,031,258	1,642,524	(1,252,172)	1,421,610
Perpetual in nature	187,295	-	-	187,295
Total Net Assets with Donor Restrictions	\$ 1,218,553	\$ 1,642,524	\$ (1,252,172)	\$ 1,608,905

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, 2019

7. 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.

8. 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.

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.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2019

8. Endowment Funds (continued)

Spending Policy (continued)

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

	2019		
	Board Designated	With Donor Restrictions	Total
Balance, beginning of year	\$ 19,718,283	\$ 289,275	\$ 20,007,558
Investment income, net	473,890	5,673	479,563
Realized/unrealized gain on investments	785,074	8,838	793,912
Appropriation for expenditure	(548,000)	(8,000)	(556,000)
Balance, end of year	\$ 20,429,247	\$ 295,786	\$ 20,725,033
	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	\$ 19,718,283	\$ 289,275	\$ 20,007,558

9. Pension Plan

Forestdale has a defined contribution pension plan which covers all employees meeting eligibility requirements. Pension expense was \$528,341 and \$399,751 for the years ended June 30, 2019 and 2018.

10. Economic Dependency

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

11. Commitments

Forestdale has a lease agreement to operate one of its programs which expires on June 30, 2020. Minimum lease payments under the terms of the agreement for the year ending June 30, 2020 total \$64,800.

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