

Forestdale, Inc.

Financial Statements

June 30, 2014

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, 2014, 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 Forestdale'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 Forestdale'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, 2014, 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.

O'CONNOR DAVIES, LLP
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Report on Summarized Comparative Information

We have previously audited Forestdale, Inc.'s June 30, 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

October 22, 2014

Forestdale, Inc.

Statement of Financial Position
June 30, 2014
(with comparative totals at June 30, 2013)

	<u>2014</u>	<u>2013</u>
ASSETS		
Cash and cash equivalents	\$ 603,781	\$ 494,656
Due from governmental agencies	2,566,563	2,527,910
Prepaid expenses and other assets	9,682	10,962
Investments	19,122,718	16,771,511
Property, plant and equipment, net	320,294	346,415
Restricted investments	<u>187,295</u>	<u>187,295</u>
	<u>\$ 22,810,333</u>	<u>\$ 20,338,749</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 121,280	\$ 140,758
Accrued payroll and benefits	457,604	517,199
Accrued foster care payments	<u>378,680</u>	<u>377,527</u>
Total Liabilities	<u>957,564</u>	<u>1,035,484</u>
Net Assets		
Unrestricted		
Operating	1,913,590	1,792,336
Investment in property, plant and equipment	320,294	346,415
Board designated	<u>19,041,534</u>	<u>16,718,199</u>
Total Unrestricted	21,275,418	18,856,950
Temporarily restricted	390,056	259,020
Permanently restricted	<u>187,295</u>	<u>187,295</u>
Total Net Assets	<u>21,852,769</u>	<u>19,303,265</u>
	<u>\$ 22,810,333</u>	<u>\$ 20,338,749</u>

See notes to financial statements

Forestdale, Inc.

Statement of Activities
Year Ended June 30, 2014
(with summarized totals for the year ended June 30, 2013)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
OPERATING INCOME					
Foster boarding homes	\$ 9,851,381	\$ -	\$ -	\$ 9,851,381	\$ 10,342,134
Aftercare reinvestment	627,275	-	-	627,275	1,116,181
Medicaid	2,688,038	-	-	2,688,038	2,644,669
Preparing youth for adulthood	183,579	-	-	183,579	350,093
Preventive services	852,168	-	-	852,168	852,168
Infant mortality reduction	38,650	-	-	38,650	38,725
Forestdale fathering initiative	550,408	-	-	550,408	517,856
Child Success NYC	1,372,444	-	-	1,372,444	-
Contributions and grants (including in-kind of \$168,481 and \$336,780)	349,912	785,871	-	1,135,783	722,733
Investment return used in operations	28,016	-	-	28,016	28,000
Net assets released from restrictions	<u>682,804</u>	<u>(682,804)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Operating Income	<u>17,224,675</u>	<u>103,067</u>	<u>-</u>	<u>17,327,742</u>	<u>16,612,559</u>
OPERATING EXPENSES					
Program services	15,172,277	-	-	15,172,277	14,884,565
Supporting services					
Management and general	1,723,884	-	-	1,723,884	1,576,854
Fundraising	<u>233,365</u>	<u>-</u>	<u>-</u>	<u>233,365</u>	<u>236,425</u>
Total Expenses	<u>17,129,526</u>	<u>-</u>	<u>-</u>	<u>17,129,526</u>	<u>16,697,844</u>
Excess (Deficiency) of Operating Income over Operating Expenses	95,149	103,067	-	198,216	(85,285)
NON OPERATING INCOME					
Investment return	<u>2,323,319</u>	<u>27,969</u>	<u>-</u>	<u>2,351,288</u>	<u>1,065,927</u>
Change in Net Assets	2,418,468	131,036	-	2,549,504	980,642
NET ASSETS					
Beginning of year	<u>18,856,950</u>	<u>259,020</u>	<u>187,295</u>	<u>19,303,265</u>	<u>18,322,623</u>
End of year	<u>\$ 21,275,418</u>	<u>\$ 390,056</u>	<u>\$ 187,295</u>	<u>\$ 21,852,769</u>	<u>\$ 19,303,265</u>

See notes to financial statements

Forestdale, Inc.

Statement of Functional Expenses Year Ended June 30, 2014 (with summarized totals for the year ended June 30, 2013)

	Program Services										Supporting Services		2014 Total	2013 Total	
	Foster Boarding Homes (FBH, MTF, TFFC)	Foster Boarding Homes (RIP-MTC)	Foster Boarding Homes (RIP, RSIT)	Medicaid	Preparing Youth for Adulthood	Preventive Services	Forestdale Fathering Initiative	Child Success NYC Preventative	Child Success NYC Waiver	Other Programs	Total Program Services	Management and General			Fundraising
PERSONNEL															
Salaries	\$ 2,412,100	\$ 58,711	\$ 282,507	\$ 362,599	\$ 44,774	\$ 445,481	\$ 263,798	\$ 339,449	\$ 334,115	\$ 285,862	\$ 4,829,396	\$ 1,146,351	\$ -	\$ 5,975,747	\$ 5,712,526
Employee benefits and payroll taxes	638,016	15,529	74,724	95,910	11,843	117,833	72,880	89,787	88,376	78,677	1,283,575	303,218	-	1,586,793	1,671,825
Total Personnel	3,050,116	74,240	357,231	458,509	56,617	563,314	336,678	429,236	422,491	364,539	6,112,971	1,449,569	-	7,562,540	7,384,351
OTHER EXPENSES															
Children's allowances and pass-thru	4,810,061	-	-	-	46,554	-	-	16,070	-	206,778	5,079,463	-	173,486	5,252,949	5,227,436
Transportation and workers expense	69,100	69	1,737	3,507	17	7,053	1,289	1,123	3,995	11,080	98,970	66,018	107	165,095	182,643
Purchase of services	388,505	17,873	18,422	226,071	47,612	49,103	113,846	87,951	28,104	119,229	1,096,716	42,904	31,969	1,171,589	961,206
Purchase of health services	-	-	-	1,468,320	-	6,238	-	-	-	-	1,474,558	-	-	1,474,558	1,549,223
Supplies and equipment	28,675	182	3,113	2,644	1,267	9,346	4,061	6,111	5,499	909	61,807	3,712	5,332	70,851	56,599
Supplies and equipment - medical	-	-	-	301,424	-	-	-	-	-	-	301,424	-	-	301,424	441,548
Rent - furniture and equipment	382	-	382	-	-	-	-	-	-	-	764	-	-	764	4,056
Rent - office space	-	-	-	-	-	-	31,061	-	-	-	31,061	-	-	31,061	-
Utilities	42,270	623	2,528	9,041	1,627	6,270	18,684	6,086	5,381	3,081	95,591	12,695	-	108,286	86,613
Repairs and maintenance	57,978	375	3,432	35,473	2,215	10,536	24,063	5,616	3,237	-	142,925	7,635	-	150,560	91,243
Telephone	31,004	451	2,159	2,899	698	3,455	2,153	2,906	2,768	1,000	49,493	8,814	-	58,307	49,544
Postage	9,395	3	37	71	57	1,045	2,188	193	9,026	7	22,022	66	-	22,088	22,487
Dues, licenses and permits	7,479	-	4,384	-	2,192	-	-	-	-	-	14,055	20,271	25	34,351	30,353
Office supplies	43,598	466	3,956	2,880	356	6,271	8,539	6,740	8,769	12,822	94,397	9,105	3,275	106,777	84,362
Subscriptions and publications	-	-	-	-	-	-	-	-	-	-	-	2,372	20	2,392	1,877
Conferences	845	-	-	-	-	-	-	-	-	-	845	3,841	-	4,686	2,016
Administrative	-	-	-	-	-	-	-	-	-	-	-	27,890	-	27,890	31,537
Staff development	6,834	-	-	80	-	-	45	819	744	600	9,122	7,654	631	17,407	21,754
Publicity and recruitment	21,628	-	1,585	3,812	25	1,906	1,360	5,286	3,792	1,500	40,894	5,239	1,017	47,150	24,679
Professional services	219,390	641	3,085	3,959	489	4,864	-	21,707	3,648	-	257,783	12,517	-	270,300	218,918
Insurance	73,813	1,797	8,645	11,096	1,370	13,632	7,000	10,388	10,224	-	137,965	35,080	-	173,045	163,078
Depreciation and amortization	28,314	417	1,694	6,055	1,090	4,201	-	4,076	3,604	-	49,451	8,502	17,503	75,456	62,321
Total Other Expenses	5,839,271	22,897	55,159	2,077,332	105,569	123,920	214,289	175,072	88,791	357,006	9,059,306	274,315	233,365	9,566,986	9,313,493
Total Expenses	\$ 8,889,387	\$ 97,137	\$ 412,390	\$ 2,535,841	\$ 162,186	\$ 687,234	\$ 550,967	\$ 604,308	\$ 511,282	\$ 721,545	\$ 15,172,277	\$ 1,723,884	\$ 233,365	\$ 17,129,526	\$ 16,697,844

See notes to financial statements

Forestdale, Inc.

Statement of Cash Flows
Year Ended June 30, 2014
(with comparative totals for the year ended June 30, 2013)

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 2,549,504	\$ 980,642
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	75,456	62,321
Realized gain on investments	(878,694)	(1,023,827)
Unrealized loss on investments	(1,098,865)	289,144
Changes in operating assets and liabilities		
Due from governmental agencies	(38,653)	305,609
Prepaid expenses and other assets	1,280	868
Accounts payable and accrued expenses	(19,478)	(155,570)
Accrued payroll and benefits	(59,595)	45,685
Accrued foster care payments	1,153	(22,887)
Net Cash from Operating Activities	<u>532,108</u>	<u>481,985</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(49,335)	(25,200)
Purchase of investments	(7,398,335)	(12,611,163)
Proceeds from sale of investments	7,089,923	12,534,927
Change in short term investments	<u>(65,236)</u>	<u>(254,542)</u>
Net Cash from Investing Activities	<u>(422,983)</u>	<u>(355,978)</u>
Net Change in Cash and Cash Equivalents	109,125	126,007
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>494,656</u>	<u>368,649</u>
End of year	<u>\$ 603,781</u>	<u>\$ 494,656</u>

See notes to financial statements

Forestdale, Inc.

Notes to Financial Statements
June 30, 2014

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, preparing youth for adulthood, general preventive services, Forestdale fathering initiative, and teenage services act program, 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 purchased with 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.

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.

Forestdale, Inc.

Notes to Financial Statements

June 30, 2014

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

Property, Plant and Equipment

Property, plant and equipment are stated at cost or, if received by donation, at fair market 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
Equipment under capitalized lease	5 years
Computer software and hardware	3 years
Vehicles	3 years

Net Assets 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. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

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.

Contributions and Promises to Give

All contributions, including unconditional promises to give, are 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.

Forestdale, Inc.

Notes to Financial Statements

June 30, 2014

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 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.

Summarized Financial Information

The statements of activities and functional expenses include prior year summarized comparative information in total which does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2013 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 2011.

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 22, 2014.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2014

3. Concentration of Credit Risk

Financial instruments which potentially subject Forestdale to a concentration of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation's limits. Management believes that credit risk related to these accounts is minimal.

The investment portfolio is managed by professional investment advisors and managers and with an objective of diversifying by type of investments and industry concentrations so that no individual investment or group of investments represents a significant concentration of market risk.

Forestdale provides program services that are covered under various third party agreements. Receivables from such arrangements totaled \$2,566,563 and \$2,527,910 as of June 30, 2014 and 2013.

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

	<u>2014</u>	<u>2013</u>
New York City	84%	83%
Medicaid	<u>16%</u>	<u>17%</u>
	<u>100%</u>	<u>100%</u>

Forestdale, Inc.

Notes to Financial Statements
June 30, 2014

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 and the certificate of deposit, which is measured at cost:

	2014		Total
	Level 1	Level 2	
Investments:			
Money market funds	\$ 890,399	\$ -	\$ 890,399
Equity securities			
U.S. equity large cap growth	2,582,996	-	2,582,996
U.S. equity large cap value tax neutral	2,402,960	-	2,402,960
U.S. equity small - mid cap growth	1,136,358	-	1,136,358
U.S. equity small cap value	919,031	-	919,031
International large cap equity	1,428,223	-	1,428,223
Exchange traded funds			
Bond fund	973,815	-	973,815
Commodity fund	744,036	-	744,036
Equity fund	2,549,952	-	2,549,952
Publicly traded partnerships	103,882	-	103,882
Fixed income			
U.S. treasury bonds and notes	794,116	-	794,116
U.S. government agency obligations	-	1,490,531	1,490,531
Corporate bonds	-	2,966,643	2,966,643
Asset-backed securities	-	307,844	307,844
Total investments at fair value	<u>\$ 14,525,768</u>	<u>\$ 4,765,018</u>	19,290,786
Certificate of deposit, at cost			19,227
Total investments			<u>\$ 19,310,013</u>

Forestdale, Inc.

Notes to Financial Statements
June 30, 2014

4. Investments (continued)

	2013		
	Level 1	Level 2	Total
Investments:			
Money market funds	\$ 820,256	\$ -	\$ 820,256
Equity securities			
U.S. equity large cap growth	2,190,843	-	2,190,843
U.S. equity large cap value tax neutral	2,066,160	-	2,066,160
U.S. equity small - mid cap growth	1,007,519	-	1,007,519
U.S. equity small cap value	819,823	-	819,823
International large cap equity	1,264,833	-	1,264,833
Exchange traded funds			
Bond fund	840,247	-	840,247
Commodity fund	649,157	-	649,157
Equity fund	2,218,322	-	2,218,322
Publicly traded partnerships	68,231	-	68,231
Fixed income			
U.S. treasury bonds and notes	274,950	-	274,950
U.S. government agency obligations	-	1,672,047	1,672,047
Corporate bonds	-	2,658,141	2,658,141
Asset-backed securities	-	389,067	389,067
Total investments at fair value	<u>\$ 12,220,341</u>	<u>\$ 4,719,255</u>	16,939,596
Certificate of deposit, at cost			<u>19,210</u>
Total investments			<u>\$ 16,958,806</u>

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

	2014	2013
Interest on cash and cash equivalents	\$ 113	\$ 463
Interest and dividends	537,247	488,986
Realized and unrealized gain on investments	1,977,559	734,683
Investment fees	<u>(135,615)</u>	<u>(130,205)</u>
	<u>\$ 2,379,304</u>	<u>\$ 1,093,927</u>

Forestdale, Inc.

Notes to Financial Statements
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5. Property, Plant and Equipment

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

	2014	2013
Land	\$ 100,868	\$ 100,868
Buildings and improvements	667,783	667,783
Furniture and equipment	261,028	211,693
Vehicles	42,032	42,032
	1,071,711	1,022,376
Accumulated depreciation and amortization	(751,417)	(675,961)
	\$ 320,294	\$ 346,415

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 for the year ended June 30, 2014 consist of the following:

Purpose / Restriction	Beginning of Year	Additions	Net Assets Released	End of Year
Frishman Noble Relyea scholarship fund	\$ 41,777	\$ 97	\$ (6,450)	\$ 35,424
Feshbach Foundation	-	100,000	(86,079)	13,921
Scholarships-College	20,563	-	(565)	19,998
Pinkerton	44,522	75,000	(78,622)	40,900
Faith-Based Neighborhood Initiative	8,394	10,000	(18,394)	-
New York Community Trust	-	25,000	(25,000)	-
Cummings Fund/Kenworthy-Swift Foundation	-	40,000	(40,000)	-
Caplin Foundation	-	20,000	(10,000)	10,000
Financial Empowerment	-	14,768	(14,768)	-
Development for Youth	106	33,730	(32,824)	1,012
Trauma Systems Therapy	48,000	-	(48,000)	-
Cultural activities	29,063	178,973	(104,307)	103,729
Family Crisis and other support	95	14,450	(14,545)	-
Adolescent Behavioral Catch-up	13,188	115,000	(73,170)	55,018
Passport to Parenting	-	93,106	(64,736)	28,370
Department of Health	-	65,844	(65,344)	500
Unappropriated endowment earnings	53,312	27,872	-	81,184
	\$ 259,020	\$ 813,840	\$ (682,804)	\$ 390,056

Forestdale, Inc.

Notes to Financial Statements

June 30, 2014

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.

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, 2014

9. Endowment Funds (continued)

Spending Policy (continued)

The following is a reconciliation of the board designated and donor-restricted endowment funds for the year ended June 30, 2014:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, beginning of year	\$ 16,718,199	\$ 53,312	\$ 187,295	\$ 16,958,806
Investment income, net	395,355	6,294	-	401,649
Realized/unrealized gain on investments	1,955,980	21,578	-	1,977,558
Appropriation for expenditure	<u>(28,000)</u>	<u>-</u>	<u>-</u>	<u>(28,000)</u>
Balance, end of year	<u>\$ 19,041,534</u>	<u>\$ 81,184</u>	<u>\$ 187,295</u>	<u>\$ 19,310,013</u>

10. Pension Plan

Forestdale has a defined contribution pension plan which covers all employees meeting eligibility requirements. Pension expense was \$239,727 for the year ended June 30, 2014.

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, 2016. Future minimum lease payments under the terms of the agreement are as follows:

2015	\$ 33,600
2016	<u>33,600</u>
	<u>\$ 67,200</u>

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