

Forestdale, Inc.

Financial Statements

June 30, 2013

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, 2013, 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, 2013, 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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Forestdale, Inc.
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Report on Summarized Comparative Information

We have previously audited Forestdale, Inc.'s June 30, 2012 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2012. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

New York, New York
October 23, 2013

Forestdale, Inc.

Statement of Financial Position
June 30, 2013
(with comparative totals at June 30, 2012)

ASSETS	<u>2013</u>	<u>2012</u>
Cash and cash equivalents	\$ 494,656	\$ 368,649
Due from governmental agencies	2,527,910	2,833,519
Prepaid expenses and other assets	10,962	11,830
Investments	16,771,511	15,706,050
Property, plant and equipment, net	346,415	383,536
Restricted investments	<u>187,295</u>	<u>187,295</u>
	<u>\$ 20,338,749</u>	<u>\$ 19,490,879</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 140,758	\$ 296,328
Accrued payroll and benefits	517,199	471,514
Accrued foster care payments	<u>377,527</u>	<u>400,414</u>
Total Liabilities	<u>1,035,484</u>	<u>1,168,256</u>
Net Assets		
Unrestricted		
Operating	1,792,336	1,797,812
Investment in property, plant and equipment	346,415	383,536
Board designated	<u>16,718,199</u>	<u>15,666,683</u>
Total Unrestricted	18,856,950	17,848,031
Temporarily restricted	259,020	287,297
Permanently restricted	<u>187,295</u>	<u>187,295</u>
Total Net Assets	<u>19,303,265</u>	<u>18,322,623</u>
	<u>\$ 20,338,749</u>	<u>\$ 19,490,879</u>

See notes to financial statements

Forestdale, Inc.

Statement of Activities
Year Ended June 30, 2013
(with summarized totals for the year ended June 30, 2012)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2013 Total</u>	<u>2012 Total</u>
OPERATING INCOME					
Foster boarding homes	\$ 10,342,134	\$ -	\$ -	\$ 10,342,134	\$ 9,814,602
Aftercare reinvestment	1,116,181	-	-	1,116,181	998,895
Medicaid	2,644,669	-	-	2,644,669	2,519,896
Preparing youth for adulthood	350,093	-	-	350,093	393,004
Preventive services	852,168	-	-	852,168	840,830
Infant mortality reduction	38,725	-	-	38,725	38,450
Forestdale fathering initiative	517,856	-	-	517,856	523,585
Teenage services act	-	-	-	-	140,461
Contributions and grants (including in-kind of \$168,481 and \$336,780)	256,757	465,976	-	722,733	733,150
Investment return used in operations	28,000	-	-	28,000	-
Net assets released from restrictions	508,341	(508,341)	-	-	-
Total Operating Income	<u>16,654,924</u>	<u>(42,365)</u>	<u>-</u>	<u>16,612,559</u>	<u>16,002,873</u>
OPERATING EXPENSES					
Program services	14,884,565	-	-	14,884,565	14,204,056
Supporting services					
Management and general	1,576,854	-	-	1,576,854	1,402,230
Fundraising	236,425	-	-	236,425	374,930
Total Expenses	<u>16,697,844</u>	<u>-</u>	<u>-</u>	<u>16,697,844</u>	<u>15,981,216</u>
Excess (Deficiency) of Operating Income over Operating Expenses	(42,920)	(42,365)	-	(85,285)	21,657
NON OPERATING INCOME					
Investment return	1,051,839	14,088	-	1,065,927	382,134
Change in Net Assets	1,008,919	(28,277)	-	980,642	403,791
NET ASSETS					
Beginning of year	<u>17,848,031</u>	<u>287,297</u>	<u>187,295</u>	<u>18,322,623</u>	<u>17,918,832</u>
End 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>

See notes to financial statements

Forestdale, Inc.

Statement of Functional Expenses
Year Ended June 30, 2013
(with summarized totals for the year ended June 30, 2012)

	Program Services										Supporting Services		2013 Total	2012 Total	
	Foster Boarding Homes (FBH, MTFC, TFFC)	Foster Boarding Homes (RIP-MTC)	Foster Boarding Homes (RIP, RSIT)	Medicaid	Preparing Youth for Adulthood	Preventive Services	Preventive Services (FTR)	Infant Mortality Reduction Program	Forestdale Fathering Initiative	Other Programs	Total Program Services	Management and General			Fundraising
PERSONNEL															
Salaries	\$ 2,647,748	\$ 42,197	\$ 529,968	\$ 388,842	\$ 110,109	\$ 265,697	\$ 170,725	\$ 31,197	\$ 297,384	\$ 189,050	\$ 4,672,917	\$ 1,039,609	\$ -	\$ 5,712,526	\$ 5,318,787
Employee benefits and payroll taxes	773,500	12,327	154,823	113,594	32,167	77,619	49,875	9,114	89,872	55,228	1,368,119	303,706	-	1,671,825	1,518,365
Total Personnel	<u>3,421,248</u>	<u>54,524</u>	<u>684,791</u>	<u>502,436</u>	<u>142,276</u>	<u>343,316</u>	<u>220,600</u>	<u>40,311</u>	<u>387,256</u>	<u>244,278</u>	<u>6,041,036</u>	<u>1,343,315</u>	<u>-</u>	<u>7,384,351</u>	<u>6,837,152</u>
OTHER EXPENSES															
Children's allowances and pass-thru	4,933,310	-	-	-	53,398	-	-	-	-	72,247	5,058,955	-	168,481	5,227,436	5,164,807
Transportation and workers expense	75,632	-	3,442	4,157	788	3,623	1,878	164	227	28,326	118,237	63,910	496	182,643	147,375
Purchase of services	423,931	48,077	71,420	63,834	86,869	32,132	25,539	-	86,100	77,251	915,153	22,190	23,863	961,206	801,606
Purchase of health services	-	-	-	1,511,417	-	-	10,734	-	-	27,072	1,549,223	-	-	1,549,223	1,532,119
Supplies and equipment	25,332	383	1,922	3,241	2,848	2,901	2,064	-	1,440	1,532	41,663	4,549	10,387	56,599	54,187
Supplies and equipment - medical	-	-	-	393,620	-	-	-	-	-	47,928	441,548	-	-	441,548	236,766
Rent - furniture and equipment	-	-	-	-	-	-	-	-	4,056	-	4,056	-	-	4,056	17,667
Utilities	40,482	880	4,166	7,449	2,681	3,700	1,467	-	15,331	-	76,156	10,457	-	86,613	86,239
Repairs and maintenance	42,081	553	4,399	13,384	1,685	5,829	7,807	-	8,935	-	84,673	6,570	-	91,243	305,651
Telephone	29,162	240	2,930	2,257	1,124	1,488	945	-	4,669	955	43,770	5,774	-	49,544	41,262
Postage	4,945	3	4,302	4,077	445	2,060	2,013	28	4,471	-	22,344	80	63	22,487	33,093
Dues, licenses and permits	7,373	-	-	-	-	-	-	-	-	-	7,373	22,397	583	30,353	36,288
Office supplies	37,727	87	7,529	2,739	5,344	3,927	3,991	-	6,057	6,451	73,852	2,140	8,370	84,362	196,805
Subscriptions and publications	-	-	-	-	60	-	-	-	-	-	60	1,817	-	1,877	1,801
Conferences	45	-	-	-	-	-	-	-	-	-	45	1,971	-	2,016	5,929
Administrative	-	-	-	-	-	-	-	-	-	-	-	31,537	-	31,537	-
Staff development	12,790	-	729	-	49	363	740	-	260	2,301	17,232	3,293	1,229	21,754	9,144
Publicity and recruitment	12,124	-	4,746	100	100	-	-	-	2,415	-	19,485	3,061	2,133	24,679	43,280
Professional services	186,359	470	5,902	4,330	1,226	2,959	1,901	-	-	-	203,147	15,771	-	218,918	196,126
Insurance	81,333	1,296	16,280	11,945	3,382	8,163	5,244	-	3,500	-	131,143	31,935	-	163,078	157,802
Depreciation and amortization	23,570	512	2,426	4,337	1,561	2,154	854	-	-	-	35,414	6,087	20,820	62,321	76,117
Total Other Expenses	<u>5,936,196</u>	<u>52,501</u>	<u>130,193</u>	<u>2,026,887</u>	<u>161,560</u>	<u>69,299</u>	<u>65,177</u>	<u>192</u>	<u>137,461</u>	<u>264,063</u>	<u>8,843,529</u>	<u>233,539</u>	<u>236,425</u>	<u>9,313,493</u>	<u>9,144,064</u>
Total Expenses	<u>\$ 9,357,444</u>	<u>\$ 107,025</u>	<u>\$ 814,984</u>	<u>\$ 2,529,323</u>	<u>\$ 303,836</u>	<u>\$ 412,615</u>	<u>\$ 285,777</u>	<u>\$ 40,503</u>	<u>\$ 524,717</u>	<u>\$ 508,341</u>	<u>\$ 14,884,565</u>	<u>\$ 1,576,854</u>	<u>\$ 236,425</u>	<u>\$ 16,697,844</u>	<u>\$ 15,981,216</u>

Forestdale, Inc.

Statement of Cash Flows
Year Ended June 30, 2013
(with comparative totals for the year ended June 30, 2012)

CASH FLOWS FROM OPERATING ACTIVITIES	<u>2013</u>	<u>2012</u>
Change in net assets	\$ 980,642	\$ 403,791
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	62,321	76,117
Realized gain on investments	(1,023,827)	(497,937)
Unrealized loss on investments	289,144	448,482
Changes in operating assets and liabilities		
Due from governmental agencies	305,609	(504,505)
Pledge receivable	-	50,000
Prepaid expenses and other assets	868	4,310
Accounts payable and accrued expenses	(155,570)	88,677
Accrued payroll and benefits	45,685	47,155
Accrued foster care payments	<u>(22,887)</u>	<u>44,941</u>
Net Cash from Operating Activities	<u>481,985</u>	<u>161,031</u>
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(25,200)	(45,629)
Purchase of investments	(12,611,163)	(6,642,952)
Proceeds from sale of investments	12,534,927	6,233,843
Change in short term investments	<u>(254,542)</u>	<u>77,565</u>
Net Cash from Investing Activities	<u>(355,978)</u>	<u>(377,173)</u>
Net Change in Cash and Cash Equivalents	126,007	(216,142)
 CASH AND CASH EQUIVALENTS		
Beginning of year	<u>368,649</u>	<u>584,791</u>
 End of year	<u>\$ 494,656</u>	<u>\$ 368,649</u>
 SUPPLEMENTAL INFORMATION		
Disposal of fully depreciated property, plant and equipment	\$ -	\$ 78,680

See notes to financial statements

Forestdale, Inc.

Notes to Financial Statements
June 30, 2013

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, 2013

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 \$1,000 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. 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, 2013

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, 2012 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 2010.

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 23, 2013.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2013

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 \$2,527,910 and \$2,833,519 as of June 30, 2013 and 2012.

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

	<u>2013</u>	<u>2012</u>
New York City	83%	77%
Medicaid	<u>17%</u>	<u>23%</u>
	<u>100%</u>	<u>100%</u>

Forestdale, Inc.

Notes to Financial Statements
June 30, 2013

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:

	2013		Total
	Level 1	Level 2	
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>

Forestdale, Inc.

Notes to Financial Statements
June 30, 2013

4. Investments (continued)

	2012		Total
	Level 1	Level 2	
Investments:			
Money market funds	\$ 565,716	\$ -	\$ 565,716
Equity securities			
U.S. equity large cap growth	2,107,711	-	2,107,711
U.S. equity large cap value tax neutral	1,971,841	-	1,971,841
U.S. equity small - mid cap growth	886,223	-	886,223
U.S. equity small cap value	590,959	-	590,959
International large cap equity	1,224,661	-	1,224,661
Exchange traded funds			
Bond fund	798,998	-	798,998
Commodity fund	584,216	-	584,216
Publicly traded partnerships	82,056	-	82,056
Fixed income			
U.S. treasury bonds and notes	671,355	-	671,355
U.S. government agency obligations	-	2,439,379	2,439,379
Corporate bonds	-	3,503,978	3,503,978
Asset-backed securities	-	447,067	447,067
Total investments at fair value	<u>\$ 9,483,736</u>	<u>\$ 6,390,424</u>	15,874,160
Certificate of deposit, at cost			<u>19,185</u>
Total investments			<u>\$ 15,893,345</u>

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

	2013	2012
Interest on cash and cash equivalents	\$ 492	\$ 1,135
Interest and dividends	488,957	457,042
Realized and unrealized gain on investments	734,683	49,455
Investment fees	<u>(130,205)</u>	<u>(125,498)</u>
	<u>\$ 1,093,927</u>	<u>\$ 382,134</u>

Forestdale, Inc.

Notes to Financial Statements
June 30, 2013

5. Property, Plant and Equipment

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

	2013	2012
Land	\$ 100,868	\$ 100,868
Buildings and improvements	667,783	667,783
Furniture and equipment	211,693	186,493
Vehicles	42,032	42,032
	1,022,376	997,176
Accumulated depreciation and amortization	(675,961)	(613,640)
	\$ 346,415	\$ 383,536

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, 2013 consist of the following:

Purpose / Restriction	Beginning of Year	Additions	Assets Released	End of Year
Frishman Noble Relyea scholarship fund	\$ 76,664	\$ 143	\$ (35,030)	\$ 41,777
Teen Health Services	75,000	-	(75,000)	-
Scholarships-College	-	25,000	(4,437)	20,563
Career Focus Initiative	-	75,000	(30,478)	44,522
Faith-Based Neighborhood Initiative	-	10,000	(1,606)	8,394
Attachment and Bio-Behavioral Catch-up	38,593	-	(38,593)	-
R.I.S.E	8,104	-	(8,104)	-
Transition Training	49,569	-	(49,569)	-
Promoting the general welfare of the City's residents	-	33,112	(33,112)	-
Development for Youth	-	18,130	(18,024)	106
Trauma Systems Therapy	-	48,000	-	48,000
Cultural Activities	-	61,842	(32,779)	29,063
Family Crisis and other support	-	18,992	(18,897)	95
Adolescent Behavioral Catch-up	-	65,000	(51,812)	13,188
Passport to Parenting	-	92,400	(92,400)	-
Youth Works	-	18,500	(18,500)	-
Unappropriated endowment earnings	39,367	13,945	-	53,312
	\$ 287,297	\$ 480,064	\$ (508,341)	\$ 259,020

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.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2013

9. Endowment Funds

Application of Law

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.

The following is a reconciliation of the board designated and donor-restricted endowment funds for the year ended June 30, 2013:

	Board Designated	Temporarily Restricted	Permanently Restricted	Total
Balance, beginning of year	\$ 15,666,683	\$ 39,367	\$ 187,295	\$ 15,893,345
Investment income, net	352,543	6,238	-	358,781
Realized/unrealized gain on investments	726,976	7,707	-	734,683
Appropriation for expenditure	(28,003)	-	-	(28,003)
Balance, end of year	<u>\$ 16,718,199</u>	<u>\$ 53,312</u>	<u>\$ 187,295</u>	<u>\$ 16,958,806</u>

Forestdale, Inc.

Notes to Financial Statements
June 30, 2013

10. Pension Plan

Forestdale has a defined contribution pension plan which covers all employees meeting eligibility requirements. Pension expense was \$358,346 for the year ended June 30, 2013.

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:

Year Ended June 30:	
2014	\$ 33,600
2015	33,600
2016	<u>33,600</u>
	<u>\$ 100,800</u>

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