

Forestdale, Inc.

Financial Statements

June 30, 2015

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, 2015, 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, 2015, 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, 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 22, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

O'Connor Davies, LLP

October 23, 2015

Forestdale, Inc.

Statement of Financial Position
June 30, 2015
(with comparative totals at June 30, 2014)

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and cash equivalents	\$ 464,356	\$ 603,781
Due from governmental agencies	3,196,890	2,566,563
Prepaid expenses and other assets	10,807	9,682
Investments	18,612,992	19,122,718
Property, plant and equipment, net	280,856	320,294
Restricted investments	<u>187,295</u>	<u>187,295</u>
	<u>\$ 22,753,196</u>	<u>\$ 22,810,333</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 605,475	\$ 121,280
Accrued payroll and benefits	630,160	457,604
Accrued foster care payments	<u>401,540</u>	<u>378,680</u>
Total Liabilities	<u>1,637,175</u>	<u>957,564</u>
Net Assets		
Unrestricted		
Operating	1,844,443	1,913,590
Investment in property, plant and equipment	280,856	320,294
Board designated	<u>18,532,754</u>	<u>19,041,534</u>
Total Unrestricted	20,658,053	21,275,418
Temporarily restricted	270,673	390,056
Permanently restricted	<u>187,295</u>	<u>187,295</u>
Total Net Assets	<u>21,116,021</u>	<u>21,852,769</u>
	<u>\$ 22,753,196</u>	<u>\$ 22,810,333</u>

See notes to financial statements

Forestdale, Inc.

Statement of Activities
Year Ended June 30, 2015
(with summarized totals for the year ended June 30, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
OPERATING INCOME					
Foster boarding homes	\$ 9,554,599	\$ -	\$ -	\$ 9,554,599	\$ 9,851,381
Aftercare reinvestment	-	-	-	-	627,275
Medicaid	2,327,192	-	-	2,327,192	2,688,038
Preparing youth for adulthood	-	-	-	-	183,579
Preventive services	1,542,899	-	-	1,542,899	852,168
Infant mortality reduction	19,025	-	-	19,025	38,650
Forestdale fathering initiative	603,465	-	-	603,465	550,408
Child Success NYC	2,626,895	-	-	2,626,895	1,372,444
Contributions and grants (including in-kind of \$125,098 and \$168,481)	272,559	636,264	-	908,823	1,135,783
Investment return used in operations	400,000	54	-	400,054	28,016
Net assets released from restrictions	754,755	(754,755)	-	-	-
Total Operating Income	<u>18,101,389</u>	<u>(118,437)</u>	<u>-</u>	<u>17,982,952</u>	<u>17,327,742</u>
OPERATING EXPENSES					
Program services	16,384,083	-	-	16,384,083	15,172,277
Supporting Services					
Management and general	1,644,733	-	-	1,644,733	1,723,884
Fundraising	200,317	-	-	200,317	233,365
Total Operating Expenses	<u>18,229,133</u>	<u>-</u>	<u>-</u>	<u>18,229,133</u>	<u>17,129,526</u>
Excess (Deficiency) of Operating Income over Operating Expenses	(127,744)	(118,437)	-	(246,181)	198,216
NON OPERATING ACTIVITY					
Investment return	(489,621)	(946)	-	(490,567)	2,351,288
Change in Net Assets	(617,365)	(119,383)	-	(736,748)	2,549,504
NET ASSETS					
Beginning 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>
End of year	<u>\$ 20,658,053</u>	<u>\$ 270,673</u>	<u>\$ 187,295</u>	<u>\$ 21,116,021</u>	<u>\$ 21,852,769</u>

See notes to financial statements

Forestdale, Inc.

Statement of Functional Expenses Year Ended June 30, 2015 (with summarized totals for the year ended June 30, 2014)

	Program Services							Supporting Services			2015 Total	2014 Total
	Foster Boarding Homes (FBH, MTFC, TFFC)	Medicaid	Preventive Services	Forestdale Fathering Initiative	Child Success NYC Preventative	Child Success NYC Waiver	Other Programs	Total Program Services	Management and General	Fundraising		
PERSONNEL												
Salaries	\$ 2,353,477	\$ 406,470	\$ 810,410	\$ 319,979	\$ 678,265	\$ 730,662	\$ 321,490	\$ 5,620,753	\$ 1,055,096	\$ -	\$ 6,675,849	\$ 5,975,747
Employee benefits and payroll taxes	659,421	113,889	227,069	95,994	190,043	204,724	90,078	1,581,218	295,628	-	1,876,846	1,586,793
Total Personnel	<u>3,012,898</u>	<u>520,359</u>	<u>1,037,479</u>	<u>415,973</u>	<u>868,308</u>	<u>935,386</u>	<u>411,568</u>	<u>7,201,971</u>	<u>1,350,724</u>	<u>-</u>	<u>8,552,695</u>	<u>7,562,540</u>
OTHER EXPENSES												
Children's allowances and pass-thru	4,771,257	-	-	-	18,000	9,000	271,065	5,069,322	36,633	125,098	5,231,053	5,252,949
Transportation and workers expense	80,235	4,856	10,834	199	3,990	14,448	8,192	122,754	83,125	42	205,921	165,095
Purchase of services	525,881	68,224	124,579	108,689	174,507	42,330	62,963	1,107,173	29,243	73,963	1,210,379	1,171,589
Purchase of health services	-	1,510,360	7,605	-	-	-	-	1,517,965	-	-	1,517,965	1,474,558
Supplies and equipment	13,555	2,497	10,956	1,283	1,519	1,276	2,118	33,204	3,505	-	36,709	70,851
Supplies and equipment - medical	-	500,423	-	-	-	-	-	500,423	-	-	500,423	301,424
Rent - furniture and equipment	-	-	11,900	-	-	-	-	11,900	-	-	11,900	764
Rent - office space	-	-	-	33,600	-	-	-	33,600	-	-	33,600	31,061
Utilities	45,996	8,485	7,807	21,824	4,889	4,335	2,700	96,036	19,381	-	115,417	108,286
Repairs and maintenance	55,695	6,102	31,767	2,636	3,209	2,846	-	102,255	7,820	-	110,075	150,560
Telephone	22,742	2,519	5,294	2,115	4,353	4,360	275	41,658	6,282	-	47,940	58,307
Postage	14,645	2,679	6,890	3,107	2,880	3,567	-	33,768	1,315	180	35,263	22,088
Dues, licenses and permits	9,502	-	-	-	700	800	-	11,002	27,951	200	39,153	34,351
Office supplies	14,602	1,892	18,998	8,078	14,512	18,063	5,103	81,248	3,897	514	85,659	106,777
Subscriptions and publications	-	-	-	-	-	230	-	230	940	-	1,170	2,392
Conferences	-	-	-	-	-	-	-	-	2,450	-	2,450	4,686
Administrative	-	-	-	-	-	-	-	-	17,325	-	17,325	27,890
Staff development	7,455	4,007	4,280	350	2,400	2,400	7,018	27,910	5,932	80	33,922	17,407
Publicity and recruitment	13,417	-	-	160	815	1,230	2,774	18,396	1,557	240	20,193	47,150
Professional services	135,669	4,232	8,438	-	34,062	7,608	-	190,009	10,986	-	200,995	270,300
Insurance	63,782	11,016	21,963	7,000	18,382	19,802	-	141,945	28,593	-	170,538	173,045
Depreciation and amortization	27,307	5,037	3,494	-	2,902	2,574	-	41,314	7,074	-	48,388	75,456
Total Other Expenses	<u>5,801,740</u>	<u>2,132,329</u>	<u>274,805</u>	<u>189,041</u>	<u>287,120</u>	<u>134,869</u>	<u>362,208</u>	<u>9,182,112</u>	<u>294,009</u>	<u>200,317</u>	<u>9,676,438</u>	<u>9,566,986</u>
Total Expenses	<u>\$ 8,814,638</u>	<u>\$ 2,652,688</u>	<u>\$ 1,312,284</u>	<u>\$ 605,014</u>	<u>\$ 1,155,428</u>	<u>\$ 1,070,255</u>	<u>\$ 773,776</u>	<u>\$ 16,384,083</u>	<u>\$ 1,644,733</u>	<u>\$ 200,317</u>	<u>\$ 18,229,133</u>	<u>\$ 17,129,526</u>

See notes to financial statements

Forestdale, Inc.

Statement of Cash Flows
Year Ended June 30, 2015
(with comparative totals for the year ended June 30, 2014)

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (736,748)	\$ 2,549,504
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	48,388	75,456
Realized gain on investments	(23,693)	(878,694)
Unrealized loss (gain) on investments	465,504	(1,098,865)
Changes in operating assets and liabilities		
Due from governmental agencies	(630,327)	(38,653)
Prepaid expenses and other assets	(1,125)	1,280
Accounts payable and accrued expenses	484,195	(19,478)
Accrued payroll and benefits	172,556	(59,595)
Accrued foster care payments	22,860	1,153
Net Cash from Operating Activities	<u>(198,390)</u>	<u>532,108</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,950)	(49,335)
Purchase of investments	(19,276,597)	(7,398,335)
Proceeds from sale of investments	19,676,526	7,089,923
Change in short term investments	<u>(332,014)</u>	<u>(65,236)</u>
Net Cash from Investing Activities	<u>58,965</u>	<u>(422,983)</u>
Net Change in Cash and Cash Equivalentents	(139,425)	109,125
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>603,781</u>	<u>494,656</u>
End of year	<u>\$ 464,356</u>	<u>\$ 603,781</u>

See notes to financial statements

Forestdale, Inc.

Notes to Financial Statements
June 30, 2015

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, Forestdale fathering initiative, and child success NYC programs, among others.

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

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

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

Cash and Cash Equivalents

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

Fair Value Measurements

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

Investments Valuations

Investments are carried at fair value. Certificates of deposit are carried at cost plus accrued interest which approximate fair value.

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, 2015

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 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 2015 and 2014.

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.

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 recorded when received and considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

In-kind Contributions

Contributions of services are recognized at fair value when they are received if the services either create or enhance nonfinancial assets, or require specialized skills, and those skills are provided by individuals possessing those skills, and would typically need to be purchased if not donated. Donated goods distributed are recorded as income and expense at the time they are received which is normally also the time they are placed into service or distributed.

Third-Party Reimbursement and Revenue Recognition

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

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain administrative, fundraising and maintenance costs have been allocated among the programs and supporting services.

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 for the year ended June 30, 2014 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 2012.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2015

2. Summary of Significant Accounting Policies (continued)

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, 2015.

3. Concentration of Credit Risk

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

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

Forestdale provides program services that are covered under various third party agreements. Receivables from such arrangements totaled \$3,196,890 and \$2,566,563 as of June 30, 2015 and 2014.

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

	<u>2015</u>	<u>2014</u>
New York City	87%	84%
Medicaid	<u>13%</u>	<u>16%</u>
	<u>100%</u>	<u>100%</u>

4. Investments

The following are major categories of investments at June 30, grouped by the fair value hierarchy for those assets measured at fair value on a recurring basis and the certificate of deposit, which is measured at cost:

	2015		
	Level 1	Level 3	Total
Investments:			
Money market funds	\$ 65,074	\$ -	\$ 65,074
Mutual Funds			
Bond fund	7,270,814	-	7,270,814
Equity fund	9,575,278	-	9,575,278
Alternative investments	-	1,889,121	1,889,121
Total investments	\$ 16,911,166	\$ 1,889,121	\$ 18,800,287

Forestdale, Inc.

Notes to Financial Statements
June 30, 2015

4. Investments (continued)

	2014		
	Level 1	Level 2	Total
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>

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

	2015	2014
Interest on cash and cash equivalents	\$ 54	\$ 113
Interest and dividends	493,162	537,247
Realized and unrealized gain (loss) on investments	(441,811)	1,977,559
Investment fees	(141,918)	(135,615)
	<u>\$ (90,513)</u>	<u>\$ 2,379,304</u>

Forestdale, Inc.

Notes to Financial Statements
June 30, 2015

4. Investments (continued)

The following is a reconciliation of the beginning and ending balances for the Level 3 asset during 2015:

	Balance, July 1, 2014	Purchases/ Additions	Unrealized loss	Balance, June 30, 2015
Alternative investments	\$ -	\$ 1,900,000	\$ (10,879)	\$ 1,889,121

Information regarding alternative investments measured at NAV at June 30, 2015 is as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Hedge fund of funds	\$ 1,889,121	\$ -	Semi-Annual	95 days

The hedge fund of funds' ("Fund") investment objective is capital appreciation with limited variability of returns. The Fund attempts to achieve this objective by allocating capital among a number of underlying funds. The Fund manager anticipates that the Fund will generally invest in 20 to 35 underlying funds at any given point and does not intend to allocate over 10% of the Fund's capital (as of the allocation date) to any single underlying fund (or any group of underlying funds managed by a single underlying adviser or group of affiliated underlying advisers). However, the Fund manager reserves the right to increase or decrease the number of underlying funds and to revise its method of allocating capital to them if, in the sole discretion of the Fund manager, such changes are warranted.

The Fund manager focuses on institutional quality managers who invest in historically uncorrelated strategies, such as relative value, event driven, equity market neutral, credit, distressed securities and various arbitrage based approaches. The Fund manager does not invest in more volatile strategies such as global macro, commodity trading advisors or managed futures.

Early withdrawal will be subject to a repurchase fee equal to 5% of the amount requested if the subscription is for less than 12 months prior to the redemption date.

Forestdale, Inc.

Notes to Financial Statements
June 30, 2015

5. Property, Plant and Equipment

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

	2015	2014
Land	\$ 100,868	\$ 100,868
Buildings and improvements	676,733	667,783
Furniture and equipment	261,028	261,028
Vehicles	42,032	42,032
	1,080,661	1,071,711
Accumulated depreciation and amortization	(799,805)	(751,417)
	\$ 280,856	\$ 320,294

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, 2015 consist of the following:

Purpose / Restriction	Beginning of Year	Additions	Net Assets Released	End of Year
Frishman Noble Relyea Scholarship Fund	\$ 35,424	\$ 54	\$ (35,478)	\$ -
Child Welfare Fund/Dammann Fund/Shoolman Fund	55,018	145,000	(150,337)	49,681
Culture for One	103,729	198,151	(172,910)	128,970
Cicatelli	1,012	34,197	(35,209)	-
Financial Empowerment Initiative	-	3,039	(3,039)	-
Inwood House/Washington Square/Maternity Early Child	28,370	75,507	(103,877)	-
JET Blue	19,998	-	(19,998)	-
Pinkerton	40,900	-	(40,900)	-
Department of Health	500	95,370	(84,086)	11,784
Feshbach Foundation	13,921	-	(13,921)	-
New York Community Trust	-	25,000	(25,000)	-
Caplin Foundation	10,000	30,000	(40,000)	-
DYCD	-	25,000	(25,000)	-
TD Bank	-	5,000	(5,000)	-
Unappropriated endowment earnings	81,184	(946)	-	80,238
	\$ 390,056	\$ 635,372	\$ (754,755)	\$ 270,673

Forestdale, Inc.

Notes to Financial Statements
June 30, 2015

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, 2015

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, 2015:

	<u>Board Designated</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Balance, beginning of year	\$ 19,041,534	\$ 81,184	\$ 187,295	\$ 19,310,013
Investment income, net	328,469	3,616	-	332,085
Realized/unrealized loss on investments	(437,249)	(4,562)	-	(441,811)
Appropriation for expenditure	(400,000)	-	-	(400,000)
Balance, end of year	<u>\$ 18,532,754</u>	<u>\$ 80,238</u>	<u>\$ 187,295</u>	<u>\$ 18,800,287</u>

10. Pension Plan

Forestdale has a defined contribution pension plan which covers all employees meeting eligibility requirements. Pension expense was \$344,379 and \$239,727 for the years ended June 30, 2015 and 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. The minimum annual lease payments under the terms of the lease are \$33,600.

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