

Graham Windham

Financial Statements

June 30, 2010



O'Connor Davies Munns & Dobbins, llp
ACCOUNTANTS AND CONSULTANTS

Independent Auditors' Report

**Board of Directors
Graham Windham**

We have audited the accompanying statement of financial position of Graham Windham as of June 30, 2010 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Graham Windham's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Graham Windham's financial statements as of and for the year ended June 30, 2009 and, in our report dated November 17, 2009 we expressed an unqualified opinion on those financial statements.

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 includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Graham Windham's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Graham Windham as of June 30, 2010 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
November 29, 2010

Graham Windham
Statement of Financial Position
June 30, 2010
(with comparative amounts at June 30, 2009)

	<u>2010</u>	<u>2009</u>
ASSETS		
Cash and cash equivalents	\$ 3,556,274	\$ 5,122,808
Public maintenance receivables	11,612,531	9,534,884
Other accounts receivable and prepaid expenses	811,414	1,130,354
Investments	8,260,255	7,518,681
Property, plant and equipment, net	4,551,899	4,896,749
Restricted investments	<u>749,312</u>	<u>679,946</u>
	<u>\$ 29,541,685</u>	<u>\$ 28,883,422</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 9,180,558	\$ 9,210,010
Due to governments	8,437,456	8,142,994
Due to Greenburgh School	244,329	244,329
Security deposits	13,406	13,406
Mortgage payable	<u>1,140,000</u>	<u>1,212,000</u>
Total Liabilities	<u>19,015,749</u>	<u>18,822,739</u>
Net Assets		
Unrestricted	9,424,028	8,538,320
Temporarily restricted	352,596	842,417
Permanently restricted	<u>749,312</u>	<u>679,946</u>
Total Net Assets	<u>10,525,936</u>	<u>10,060,683</u>
	<u>\$ 29,541,685</u>	<u>\$ 28,883,422</u>

Graham Windham

Statement of Activities

Year Ended June 30, 2010

(with summarized totals for the year ended June 30, 2009)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2010 Total	2009 Total
OPERATING INCOME					
Public Support					
Public maintenance income	\$ 63,578,805	\$ -	\$ -	\$ 63,578,805	\$ 59,979,878
Contributions and grants	259,420	408,000	-	667,420	1,310,093
Special events, net of direct costs of \$146,154 and \$76,355	616,496	-	-	616,496	574,606
Revenue from UFSD No. 10	128,096	-	-	128,096	203,222
Total Public Support	64,582,817	408,000	-	64,990,817	62,067,799
Program service fees, other	750,320	-	-	750,320	783,252
Interest income	32,746	-	-	32,746	50,943
Net assets released from restrictions	897,821	(897,821)	-	-	-
Total Operating Income	66,263,704	(489,821)	-	65,773,883	62,901,994
OPERATING EXPENSES					
Program services	60,867,977	-	-	60,867,977	58,097,051
Management and general	4,892,025	-	-	4,892,025	4,604,811
Fundraising	493,921	-	-	493,921	514,088
Total Operating Expenses	66,253,923	-	-	66,253,923	63,215,950
Excess (Deficiency) of Operating Income Over Expenses	9,781	(489,821)	-	(480,040)	(313,956)
NON OPERATING INCOME					
Investment income (loss)	875,927	-	69,366	945,293	(996,189)
Change in Net Assets	885,708	(489,821)	69,366	465,253	(1,310,145)
NET ASSETS					
Beginning of year	8,538,320	842,417	679,946	10,060,683	11,370,828
End of year	\$ 9,424,028	\$ 352,596	\$ 749,312	\$ 10,525,936	\$ 10,060,683

See notes to financial statements

Graham Windham
Statement of Functional Expenses
Year Ended June 30, 2010
(with summarized totals for the year ended June 30, 2009)

	Program Services					Supporting Services					
	Westchester Residential Services	Family Permanency Planning	Medicaid	Early Childhood	Family Preservation	Total	Management and General	Fundraising	Total	2010 Total	2009 Total
PERSONNEL											
Salaries	\$ 7,785,287	\$ 6,822,522	\$ 3,018,334	\$ 4,492,194	\$ 3,248,227	\$ 25,366,564	\$ 2,758,158	\$ 274,289	\$ 3,032,447	\$ 28,399,011	\$ 26,939,664
Employee benefits and payroll taxes	2,616,377	1,991,858	827,689	1,091,008	870,699	7,397,631	776,232	78,279	854,511	8,252,142	7,604,007
CARE AND MAINTENANCE											
Food	479,082	536	1,127	93,075	9,924	583,744	-	-	-	583,744	710,825
Clothing	169,820	774,660	-	902	-	945,382	-	-	-	945,382	927,974
Travel and workers expense	96,799	142,862	14,493	24,993	42,751	321,898	6,620	626	7,246	329,144	285,330
Allowances and recreation	236,756	350,224	1,285	44,180	124,851	757,296	-	-	-	757,296	773,549
Medicine and medical supplies	-	-	619,762	1,008	-	620,770	-	-	-	620,770	672,443
Boarding payments to foster parents	770,305	7,822,077	-	6,540,884	-	15,133,266	-	-	-	15,133,266	13,881,452
PROFESSIONAL FEES											
Health services	-	1,695	1,178,936	1,300,582	29,295	2,510,508	-	-	-	2,510,508	2,279,578
Audit, legal and consultants	49,272	210,119	-	5,287	-	264,678	115,497	-	115,497	380,175	317,090
Purchased services	403,263	535,955	116,275	333,961	46,323	1,435,777	311,335	38,387	349,722	1,785,499	2,142,874
STAFF											
Staff development and conference	22,081	6,334	10,284	83,754	21,896	144,349	25,925	970	26,895	171,244	121,510
FIXED CHARGES, SERVICES AND EQUIPMENT											
Rent	-	363,811	86,289	353,204	69,312	872,616	330,387	37,648	368,035	1,240,651	1,244,335
Utilities	332,890	101,985	55,290	109,006	16,830	616,001	41,913	4,522	46,435	662,436	704,980
Repairs and maintenance	331,820	287,085	110,300	169,051	39,953	938,209	65,237	7,963	73,200	1,011,409	1,106,103
Telephone	54,140	94,140	18,760	38,469	42,315	247,824	32,136	3,859	35,995	283,819	255,252
Insurance	159,813	95,807	45,170	46,283	43,273	390,346	35,467	3,419	38,886	429,232	478,378
Postage	11,279	20,765	2,340	6,567	1,353	42,304	56,495	9,091	65,586	107,890	110,549
Equipment rental	118,392	59,592	20,216	27,033	28,786	254,019	50,951	4,575	55,526	309,545	297,980
SUPPLIES AND SUNDRY											
Supplies and equipment	271,738	85,581	76,994	362,849	52,915	850,077	72,609	20,121	92,730	942,807	1,049,570
Dues, licenses and permits	8,729	21,655	4,157	13,446	7,219	55,206	91,996	27	92,023	147,229	113,093
Subscriptions and publications	217	6,975	-	563	-	7,755	802	329	1,131	8,886	2,303
Depreciation and amortization	400,318	223,121	73,903	29,606	39,157	766,105	60,381	3,849	64,230	830,335	868,131
Property taxes	47,084	56,306	19,476	87,400	5,326	215,592	7,767	897	8,664	224,256	128,417
Interest	-	7,269	1,574	1,515	860	11,218	-	-	-	11,218	10,211
Administrative	27,130	40,572	23,584	7,075	20,481	118,842	52,117	5,070	57,187	176,029	190,352
Total Expenses	\$ 14,392,592	\$ 20,123,506	\$ 6,326,238	\$ 15,263,895	\$ 4,761,746	\$ 60,867,977	\$ 4,892,025	\$ 493,921	\$ 5,385,946	\$ 66,253,923	\$ 63,215,950

Graham Windham
Statement of Cash Flows
Year Ended June 30, 2010
(with comparative amounts for the year ended June 30, 2009)

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 465,253	\$ (1,310,145)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	830,335	868,131
Donation of stock	(5,135)	(46,529)
Realized and unrealized loss on investments	(727,051)	1,246,719
Changes in operating assets and liabilities		
Public maintenance receivables	(2,077,647)	(623,955)
Other accounts receivable and prepaid expenses	318,940	(26,639)
Accounts payable and accrued expenses	(29,452)	697,278
Due to governments	294,462	87,901
Net Cash from Operating Activities	<u>(930,295)</u>	<u>892,761</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(485,485)	(788,888)
Purchase of investments	(962,891)	(949,573)
Proceeds from sale of investments	884,137	845,241
Net Cash from Investing Activities	<u>(564,239)</u>	<u>(893,220)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of debt	<u>(72,000)</u>	<u>(72,000)</u>
Net Change in Cash and Cash Equivalents	(1,566,534)	(72,459)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>5,122,808</u>	<u>5,195,267</u>
End of year	<u>\$ 3,556,274</u>	<u>\$ 5,122,808</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 11,218	\$ 10,211

Graham Windham

Notes to Financial Statements

1. Organization and Tax Status

General

Graham Windham (the Agency) is a not-for-profit, nonsectarian voluntary childcare agency in New York State, providing a range of services and resources to children and their families in the New York metropolitan area. The Agency's purpose is to meet the needs of economically deprived, abused, neglected, homeless and emotionally disturbed children and to support, preserve and strengthen families with children at risk.

Program Services

The various programs of the Agency are as follows:

Westchester Residential Services

Operation of the Agency's owned facilities located in Hastings-on-Hudson, New York, providing rehabilitative programs for children who have significant emotional and educational handicaps. The programs also include Preparing Youth for Adulthood and Aftercare Reinvest.

Family Permanency Planning Services include the following programs:

Foster Boarding Homes – Placement and supervision of children with selected foster families. Supplemental programming includes Aftercare Reinvestment and Foster Parent Support.

Therapeutic Foster Boarding Homes – Placement and supervision of children with specially trained foster families and enhanced services.

Preparing Youth for Adulthood – Enhanced services for foster care children ages 14-21 to prepare them for independent living after foster care.

Medicaid

Foster Care Clinics provided medical, clinical and nursing care for all children in the above-mentioned foster-care programs. Bridges to Health (B2H) Waiver Program provides opportunities for strong support of permanency planning and improving the health and well-being of foster children served. These complement but do not duplicate foster care services and include waiver services for children with serious emotional disturbances, children with developmental disabilities and for medically fragile children. All medical costs incurred in non foster-care programs are provided for within the specific program.

Graham Windham

Notes to Financial Statements

1. Organization and Tax Status (*continued*)

Program Services (continued)

Early Childhood Services include the following programs:

Day Care Centers – Provision of child care for two to five year-olds during the daytime. The Agency operated three centers; Williamsburg Day Care Center in Brooklyn, Finest and Harlem Day Care Centers in Manhattan. Subsequent to the fiscal 2010 year the Agency commenced the operation of the Davidson Avenue Childcare Center in the Bronx.

Family Child Care Network (previously called Family Day Care) – Provision of supervised, licensed day care homes five days a week to infants and children. Parents pay for this service according to their income.

Early Head Start Family Child Care - Provides supervised, licensed day care five days a week for children up to 3 years of age, as well as providing supervised, licensed day care homes for parents or guardians working or attending job-training classes.

Preschool – Provision of special education for three to five year-olds with learning disabilities.

Parent Child Home Program – Provides home based literacy services for toddlers and pre-school children 2 to 4 years of age.

Family Preservation Services include the following programs:

Manhattan Center and School Based Mental Health Programs (previously only Manhattan Center) – Provide both family and individual counseling, tutoring, recreation and cultural activities for youngsters as well as parenting education and support for families.

The Beacon Schools and United Way After-school Programs – Provide comprehensive support services to the students of PS 195 and their families during days, evenings and weekends throughout the year.

Preventive Services - Diverse family and community support programs designed to provide comprehensive community-based services.

Supporting Services

Management and General – Direction of the overall affairs of the Agency, including accounting, personnel and administrative services.

Fund raising – Activities to secure increased support from the public for the needs of the various programs and overall direction of the Agency.

Tax Status

The Agency is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code as a publicly supported organization described in Section 509(a).

Graham Windham

Notes to Financial Statements

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management of the Agency to make certain estimates and assumptions relating to the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the amount of revenue and expenses recognized during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The financial statements report amounts separately by class of net assets. Unrestricted amounts are those currently available at the discretion of the board for use in the Agency's operations and those resources invested in property, plant and equipment. Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of equipment. Permanently restricted amounts 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.

Cash and Cash Equivalents

For statement of cash flow purposes, the Agency considers all highly liquid investments with a maturity of ninety days or less, at the time of purchase, to be cash equivalents.

Fair Value Measurements

The Agency follows Financial Accounting Standards Board ("FASB") 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 reliability 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 and for the years ended June 30, 2010 and 2009, all of the Agency's investments, bought, sold and held were considered Level 1 investments.

Investment Valuations and Investment Income Recognition

Investments are recorded at fair value based on quoted market prices.

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.

Graham Windham

Notes to Financial Statements

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

Revenue

The Agency derives its revenue from, among other sources, cost reimbursement contracts with federal government agencies, New York State and New York City and through contributions received from corporations and individuals.

Governmentally funded programs are generally subject to audit and, therefore the final operating reimbursement rates may not be determinable until years after the Agency has rendered services. Governmental funding is based upon allowable costs, with the excess of allowable cost over reimbursement returnable to the governmental funding agency. The Agency reflects an estimated amount in its financial statements as payable to governmental agencies for underspent interim rates but does not reflect any adjustment for potential disallowances of expenses since management believes that all expenses incurred for such programs should be treated as allowable costs.

Special Events

Revenues received and expenses incurred for special events are recognized in the fiscal year in which the events occur. Expenses incurred for events occurring in subsequent fiscal year are included in prepaid expenses on the statement of financial position.

Property, Plant and Equipment

Property, plant and equipment are stated at cost or, if donated, at the estimated fair market value at the date of donation. Costs incurred for repairs and maintenance are charged to expense as incurred. Depreciation is recognized on a straight line basis over the useful lives of such assets as follows:

Buildings and improvements	10– 40 years
Furniture and equipment	3–10 years
Automobile and trucks	4 years
Leasehold improvements	Life of lease or useful life if shorter

Property and equipment purchased through government contracts that remain the property of the funding source or where it is probable that the item will revert back to the grantor are treated as expenses in the year of purchase.

Functional Allocation of Expenses

The costs of providing programs by the Agency have been summarized on a functional basis in the accompanying financial statements. Accordingly, expenses have been charged to program and supporting services based on direct expenses and other specific allocation methods.

Graham Windham

Notes to Financial Statements

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

Summarized Comparative Information

The statement of activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2009 from which the summarized information was derived.

Accounting for Uncertainty in Income Taxes

The Agency recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Agency had no uncertain tax positions that would require financial statement recognition. The Agency is no longer subject to audits by the applicable taxing jurisdictions for tax years prior to 2006.

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 November 29, 2010.

3. Concentration of Credit Risk

Financial instruments that potentially subject the Agency to significant concentrations of credit risk consist principally of cash and cash equivalents, receivables and investments. At times cash balances held at financial institutions may be in excess of federally insured limits. The Agency has not experienced any losses on its cash deposits.

The Agency provides program services that are covered under various third party payor agreements. Receivables from such arrangements, included in public maintenance receivable on the statement of financial position, totaled \$11,463,065 and \$9,456,516 as of June 30, 2010 and 2009. Management believes all receivables are collectible and accordingly no allowances for uncollectible accounts have been established for 2010 and 2009. The percentage of the total by third party payor was as follows:

	<u>2010</u>	<u>2009</u>
New York City	68 %	69 %
Medicaid	18	10
Federal	1	4
Other counties	8	9
New York State	<u>5</u>	<u>8</u>
	<u>100 %</u>	<u>100 %</u>

Graham Windham

Notes to Financial Statements

3. Concentration of Credit Risk (continued)

The investment portfolio is diversified by type of investments and industry concentrations so that no individual investment or group of investments represent a significant concentration of market risk.

4. Investments

Investments stated at fair market value consist of the following mutual funds as of June 30:

	2010	2009
Domestic Stock Index Fund	\$ 3,761,696	\$ 3,484,093
International Stock Index Fund	711,215	771,248
Bond Index Fund	4,536,656	3,943,286
	<u>\$ 9,009,567</u>	<u>\$ 8,198,627</u>

The Agency's investments are reported as follows as of June 30:

	2010	2009
Unrestricted	\$ 8,260,255	\$ 7,518,681
Restricted	749,312	679,946
	<u>\$ 9,009,567</u>	<u>\$ 8,198,627</u>

The composition of investment income (loss) as reported in the statement of activities for the years ended June 30 is as follows:

	2010	2009
Interest and dividends	\$ 240,469	\$ 271,032
Realized and unrealized losses	727,051	(1,246,719)
Investment fees	(22,227)	(20,502)
	<u>\$ 945,293</u>	<u>\$ (996,189)</u>

Graham Windham

Notes to Financial Statements

5. Property, Plant and Equipment

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

	2010	2009
Land	\$ 144,900	\$ 144,900
Buildings and improvements	9,628,591	9,546,539
Furniture and equipment	2,302,587	2,106,592
Leasehold improvements	2,880,955	2,873,753
Trucks and automobiles	14,200	11,950
	14,971,233	14,683,734
Construction in progress	520,591	322,605
	15,491,824	15,006,339
Accumulated depreciation and amortization	(10,939,925)	(10,109,590)
	<u>\$ 4,551,899</u>	<u>\$ 4,896,749</u>

6. Due to Governments

A New York City (NYC) foster care audit is currently in progress for fiscal years 2004 through 2007. The results of the audit are yet to be determined. A liability to NYC of \$5,057,982 is included in the \$8,437,456 which acts as a reserve for any potential liabilities resulting from audits for fiscal years 2004 through 2010. Management believes this reserve is adequate.

7. Mortgage Payable

The Agency has a mortgage loan payable through April 2026. The interest rate for the first rate period ending April 26, 2016 is 7.5%. Interest for the second rate period (April 27, 2016 through April 26, 2026) will adjust to that rate which is equal to 1.80% per annum above the "Index" (the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of ten years as made available by the Federal Reserve Board) in effect forty-five days prior to April 26, 2016. Future scheduled principal payments at June 30, 2010 are payable as follows:

2011	\$ 72,000
2012	72,000
2013	72,000
2014	72,000
2015	72,000
Thereafter	780,000
	<u>\$ 1,140,000</u>

Graham Windham

Notes to Financial Statements

8. Union Free School District No. 10

The Agency receives payments from the School District for services provided. The cost of these services is included under Westchester residential services program expenses in the accompanying financial statements. Certain Agency board members are also on the School Board of the Union Free School District No. 10.

9. Pension Plan

The Agency makes contributions to a defined contribution pension plan for participating employees. Pension expense was approximately \$1,017,000 and \$1,047,000 for the years ended June 30, 2010 and 2009.

The Agency has a matching thrift savings plan available to all eligible employees. Agency expense amounted to approximately \$123,000 and \$105,000 for the years ended June 30, 2010 and 2009.

10. Commitments and Contingencies

The Agency maintains several operating leases for office and program facilities. The lease for the Agency's headquarters and preschool includes provisions for escalations and sharing of common expenses. Aggregate minimum annual rentals for the years ending June 30, are payable as follows:

2011	\$ 1,299,906
2012	1,293,579
2013	1,328,315
2014	1,363,869
2015	1,400,535
Thereafter	<u>5,054,355</u>
	<u>\$11,740,559</u>

In accordance with a lease agreement, a standby letter of credit is maintained in the amount of \$59,000. This standby letter of credit is held by the landlord and may be presented to the bank by the landlord for collection if the Agency fails to comply with the terms of the lease. A portion of the bond fund included in the Agency's investment portfolio is identified by the bank as specific collateral for this commitment.

Graham Windham

Notes to Financial Statements

10. Commitments and Contingencies (continued)

Aggregate minimum annual rentals on operating leases for equipment and automobiles for the years ending June 30, are payable as follows

2011	\$ 192,881
2012	119,758
2013	41,948
2014	14,928
2015	<u>1,020</u>
	<u>\$ 370,535</u>

Rental expense for the years ended June 30, 2010 and 2009 was \$1,240,651 and \$1,244,355, net of rental income of \$193,644 and \$188,538.

The Agency is involved in various legal proceedings incurred in the normal course of operations. Management believes it has defenses for all such claims and is vigorously defending the actions. It is the opinion of management that the probable resolution of such proceedings will not materially affect the financial position, results of operations or cash flows of the Agency.

11. Economic Dependency

The Agency is licensed by the New York State Department of Social Services ("DSS") to operate as a child care agency. Reimbursement rates for the services provided by the Agency are promulgated by DSS and payments for such services are received through various governmental agencies. The Agency is economically dependent on these funds to continue operations.

12. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs as of June 30:

	<u>2010</u>	<u>2009</u>
Westchester Residential Services	\$ 70,437	\$ 72,605
Family Permanency Planning	137,724	297,966
Early Childhood	82,924	455,923
Family Preservation	61,511	11,427
Support Services	<u>-</u>	<u>4,496</u>
	<u>\$ 352,596</u>	<u>\$ 842,417</u>

Graham Windham

Notes to Financial Statements

12. Temporarily Restricted Net Assets (continued)

Temporarily restricted net assets were released from donor restrictions by incurring expenses for the following programs during the years ended June 30 as follows:

	2010	2009
Westchester Residential Services	\$ 22,168	\$ 47,524
Family Permanency Planning	113,242	144,290
Early Childhood	753,023	995,922
Family Preservation	4,892	11,296
Support Services	4,496	-
	<u>\$ 897,821</u>	<u>\$ 1,199,032</u>

13. Permanently Restricted Net Assets

The Agency maintains assets that are limited in their use by donor-imposed restrictions and restricted for investment in perpetuity. The income and gains from investment of these funds are available to support the operations and various programs of the Agency.

14. Endowments

The Agency utilizes a total return investment approach with its asset allocation diversified over multiple asset classes. Target allocation percentages are established for various asset classes and are modified over time. Performance is measured against a composite benchmark of investment indices reflecting the target asset allocation.

Interpretation of Relevant Law

The Board of Directors of the Agency has interpreted the Uniform Management of Institutional Funds Act (UMIFA) and the New York State Trust Laws as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Agency classifies as permanently restricted net assets (a) the original value of 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, when applicable. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets to the extent the donor restricted income earned on such endowments to a particular purpose or time, and in all other cases is classified as unrestricted net assets. Such amounts recorded as temporarily restricted net assets are released from restriction when the donor stipulated purpose has been fulfilled and/or the required time period has elapsed.

Graham Windham

Notes to Financial Statements

14. Endowments (continued)

Spend Rate Policy

The Agency's spending policy is to use interest and dividends earned on the endowment funds.

Changes in donor-restricted endowment net assets for the years ended June 30, 2010 and 2009 are as follows:

	Unrestricted	Permanently Restricted	Total
Balance, June 30, 2008	\$ -	\$ 826,596	\$ 826,596
Interest and dividends	22,212	-	22,212
Advisory fees	(1,937)	-	(1,937)
Realized loss	-	(617)	(617)
Unrealized loss	-	(146,033)	(146,033)
Appropriation for expenditure	<u>(20,275)</u>	<u>-</u>	<u>(20,275)</u>
Balance, June 30, 2009	-	679,946	679,946
Interest and dividends	25,638	-	25,638
Advisory fees	(2,027)	-	(2,027)
Realized gains	-	11,658	11,658
Unrealized gains	-	57,708	57,708
Appropriation for expenditure	<u>(23,611)</u>	<u>-</u>	<u>(23,611)</u>
Balance, June 30, 2010	<u>\$ -</u>	<u>\$ 749,312</u>	<u>\$ 749,312</u>