

Graham Windham

Financial Statements

June 30, 2015

Independent Auditors' Report

Board of Directors Graham Windham

We have audited the accompanying financial statements of Graham Windham, 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 from 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 the 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 Graham Windham as of June 30, 2015 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.

Report on Summarized Comparative Information

We have previously audited Graham Windham's 2014 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 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

November 17, 2015

Graham Windham

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

	2015	2014
ASSETS		
Cash and cash equivalents	\$ 3,138,749	\$ 2,306,446
Public maintenance receivables	13,768,775	14,131,311
Other receivables and prepaid expenses	1,953,361	1,040,070
Investments	12,513,881	12,095,812
Property, plant and equipment, net	2,848,654	2,990,334
Restricted investments	1,141,959	1,124,390
	<u>\$ 35,365,379</u>	<u>\$ 33,688,363</u>
 LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 8,333,911	\$ 8,461,893
Due to governments	8,849,140	7,905,870
Mortgage payable	779,900	851,904
Total Liabilities	<u>17,962,951</u>	<u>17,219,667</u>
 Net Assets		
Unrestricted	14,370,552	14,774,878
Temporarily restricted	1,889,917	569,428
Permanently restricted	1,141,959	1,124,390
Total Net Assets	<u>17,402,428</u>	<u>16,468,696</u>
	<u>\$ 35,365,379</u>	<u>\$ 33,688,363</u>

See notes to financial statements

Graham Windham

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	2015 Total	2014 Total
OPERATING INCOME					
Public Support					
Public maintenance income	\$ 51,576,305	\$ -	\$ -	\$ 51,576,305	\$ 52,195,806
Contributions and grants	128,305	2,252,990	-	2,381,295	1,054,135
Special events, net of direct costs of \$187,707 and \$250,080	1,082,889	-	-	1,082,889	1,428,645
Total Public Support	52,787,499	2,252,990	-	55,040,489	54,678,586
Program service fees and other	36,282	-	-	36,282	34,974
Revenue from UFSD No. 10	78,120	-	-	78,120	88,062
Interest income	11,526	15,307	-	26,833	32,314
Net assets released from restrictions	947,808	(947,808)	-	-	-
Total Operating Income	53,861,235	1,320,489	-	55,181,724	54,833,936
OPERATING EXPENSES					
Program services	48,951,930	-	-	48,951,930	48,131,446
Management and general	5,011,928	-	-	5,011,928	4,986,610
Fundraising	721,122	-	-	721,122	632,794
Total Operating Expenses	54,684,980	-	-	54,684,980	53,750,850
(Deficiency) Excess of Operating Income Over Operating Expenses	(823,745)	1,320,489	-	496,744	1,083,086
NON OPERATING ACTIVITY					
Investment income	419,419	-	17,569	436,988	1,618,137
Loss on abandoned project	-	-	-	-	(556,776)
Change in Net Assets	(404,326)	1,320,489	17,569	933,732	2,144,447
NET ASSETS					
Beginning of year	14,774,878	569,428	1,124,390	16,468,696	14,324,249
End of year	<u>\$ 14,370,552</u>	<u>\$ 1,889,917</u>	<u>\$ 1,141,959</u>	<u>\$ 17,402,428</u>	<u>\$ 16,468,696</u>

See notes to financial statements

Graham Windham

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

	Program Services					Supporting Services			2015	2014
	Westchester Residential Services	Permanency Planning	Medicaid	Family and Community Support	Total	Management and General	Fundraising	Total	Total	Total
PERSONNEL										
Salaries	\$ 6,543,001	\$ 7,401,280	\$ 5,263,155	\$ 3,924,299	\$ 23,131,735	\$ 2,669,499	\$ 441,611	\$ 3,111,110	\$ 26,242,845	\$ 25,702,084
Employee benefits and payroll taxes	2,452,663	2,240,844	1,455,587	1,056,754	7,205,848	784,997	128,058	913,055	8,118,903	8,185,661
CARE AND MAINTENANCE										
Food	504,459	661	-	20,991	526,111	-	-	-	526,111	455,968
Clothing	110,365	573,801	-	-	684,166	-	2,082	2,082	686,248	700,285
Travel and workers expense	88,403	164,955	38,895	82,950	375,203	5,767	1,363	7,130	382,333	384,879
Allowances and recreation	277,007	245,529	26,013	288,690	837,239	-	52,224	52,224	889,463	540,662
Medicine and medical supplies	-	943	575,356	423	576,722	-	-	-	576,722	518,516
Boarding payments to foster parents	172,578	6,674,425	-	-	6,847,003	-	-	-	6,847,003	7,339,930
PROFESSIONAL FEES										
Health services	1,349	845	2,106,281	88,441	2,196,916	-	-	-	2,196,916	2,055,283
Audit, legal and consultants	9,415	302,768	9,946	-	322,129	204,233	6,700	210,933	533,062	615,782
Purchased services	253,719	335,820	70,003	141,491	801,033	303,059	11,424	314,483	1,115,516	1,302,094
STAFF										
Staff development and conference	17,098	61,055	29,659	42,329	150,141	40,004	5,772	45,776	195,917	141,187
FIXED CHARGES, SERVICES AND EQUIPMENT										
Rent	-	387,028	172,569	151,760	711,357	376,382	26,240	402,622	1,113,979	1,083,574
Utilities	405,953	112,638	92,767	32,083	643,441	38,627	2,735	41,362	684,803	637,216
Repairs and maintenance	614,786	403,868	174,719	181,615	1,374,988	63,246	4,860	68,106	1,443,094	1,220,333
Telephone	53,759	103,053	73,818	96,204	326,834	57,490	5,699	63,189	390,023	322,517
Insurance	200,073	143,746	104,685	70,159	518,663	51,080	7,699	58,779	577,442	546,157
Postage	8,584	29,504	9,431	13,781	61,300	19,205	1,723	20,928	82,228	93,411
Equipment rental	118,709	79,174	41,802	38,444	278,129	35,876	3,235	39,111	317,240	283,571
Supplies and equipment	256,209	69,116	44,244	105,533	475,102	45,299	5,917	51,216	526,318	477,710
Dues, licenses and permits	8,780	10,911	12,401	9,008	41,100	154,093	1,824	155,917	197,017	169,578
Subscriptions and publications	-	271	214	88	573	575	62	637	1,210	1,221
Depreciation and amortization	257,392	136,291	76,775	16,117	486,575	17,436	480	17,916	504,491	541,144
Property taxes	51,906	72,300	37,481	30,298	191,985	44,736	2,958	47,694	239,679	160,966
Administrative	35,157	37,781	27,497	24,929	125,364	100,324	8,456	108,780	234,144	203,381
Interest	-	39,418	17,304	5,551	62,273	-	-	-	62,273	67,740
Total Expenses	\$ 12,441,365	\$ 19,628,025	\$ 10,460,602	\$ 6,421,938	\$ 48,951,930	\$ 5,011,928	\$ 721,122	\$ 5,733,050	\$ 54,684,980	\$ 53,750,850

See notes to financial statements

Graham Windham

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

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 933,732	\$ 2,144,447
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	504,491	541,144
Loss on abandoned project	-	556,776
Donation of stock	(332,041)	(348,311)
Realized and unrealized gain on investments	(148,192)	(1,364,690)
Changes in operating assets and liabilities		
Public maintenance receivables	362,536	1,535,634
Other receivables and prepaid expenses	(913,291)	(329,278)
Accounts payable and accrued expenses	(127,982)	244,460
Due to governments	943,270	(2,498,415)
Net Cash from Operating Activities	<u>1,222,523</u>	<u>481,767</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(362,811)	(277,124)
Purchase of investments	(773,572)	(271,991)
Proceeds from sale of investments	818,167	367,857
Net Cash from Investing Activities	<u>(318,216)</u>	<u>(181,258)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of debt	(72,004)	(72,000)
Net Change in Cash and Cash Equivalents	<u>832,303</u>	<u>228,509</u>
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>2,306,446</u>	<u>2,077,937</u>
End of year	<u>\$ 3,138,749</u>	<u>\$ 2,306,446</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	\$ 62,273	\$ 67,740

See notes to financial statements

Graham Windham

Notes to Financial Statements
June 30, 2015

1. Organization and Tax Status

General

Graham Windham (the Agency) is a not-for-profit, nonsectarian voluntary child welfare 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, 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 present significant emotional and educational challenges. The programs also include Preparing Youth for Adulthood and the Westchester based Therapeutic Foster Boarding Home. Effective July 1, 2015, the Agency ceased operating the Westchester Therapeutic Foster Boarding Home program and successfully transferred all of the program's clients to other foster care agencies.

Family Permanency Planning Services include the following programs:

Foster Boarding Homes - Placement and supervision of children with selected foster families. Supplemental programming includes Family Team Conferencing, Aftercare Reinvestment and Foster Parent Support.

Therapeutic and Multidimensional Treatment 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.

Family Success Initiative (including Forever Families and Passport to Parenting) – Provides an array of services that include various approaches to helping parents develop their parenting skill sets and deepen their understanding of child development in a highly supportive environment; parental peer support before, during and following the process of reunification and adoption; improving outcomes for pregnant and parenting teens ages 12 to 21 through workshops, increased access to pre and post-natal services by referrals and play groups.

Graham Windham

Notes to Financial Statements

June 30, 2015

1. Organization and Tax Status (*continued*)

Program Services (continued)

Medicaid:

Foster Care Clinics provides 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.

Family and Community Support Services include the following programs:

Manhattan Mental Health Center - An Article 31 clinic that provides a range of counseling services to youngsters and their families to address mental health issues.

The Beacon Schools and Cornerstone Community Centers - Provide comprehensive afterschool support services in the form of tutoring, recreation and cultural activities for community students at PS 123 in Manhattan, MS 201 in the Bronx, and the Manhattanville Community Center in Harlem.

Preventive Services - A diverse set of community based programs designed to help families at risk of having a child placed in 24 hour care and address challenges which threaten their stability and safety.

Young Adult Justice Scholars Program (SLAM) - is an educational and vocational program for court involved youth who are or have been involved with the juvenile justice system. The program serves up to 40 youths between the ages of 16 and 23, and provides direct educational services, vocational assessments and referrals, and peer support services.

Graham SLAM Initiative - Provides children from Graham Windham's various programs with coaching, college and employment readiness, and peer support through youth programming and partnerships with schools, colleges, employers and other service providers.

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Notes to Financial Statements
June 30, 2015

1. Organization and Tax Status (*continued*)

Program Services (continued)

Family and Community Support Services include the following program:

Department of Education Community Schools - Provides a struggling school in need of intensive support to improve student outcomes with community school coordination, parent and community engagement, expanded learning and enrichment activities and mental health services.

Supporting Services

Management and General - Direction of the overall affairs of the Agency, including the following: executive, human resources, information technology, policy, planning and performance, fiscal and administrative services.

Fundraising - Activities to secure increased support from the public for the needs of the various programs 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).

2. Summary of Significant Accounting Policies

Basis of Presentation and Use of Estimates

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US 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 income and expenses during the reporting period. Accordingly actual results could differ from those estimates.

Net Asset 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 the 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.

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Notes to Financial Statements
June 30, 2015

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

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 US 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 reliability and are related to assets with unadjusted market 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.

Investment Valuations

Investments are carried at 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 change in net assets.

Public Maintenance and Contribution Income Recognition

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.

Public maintenance income from cost reimbursement contracts with the various government agencies is recognized as the expenses associated with each contract are incurred.

Contributions received, including unconditional promises to give, are recognized as income in the period received at their fair values. Contributions are recorded as restricted income if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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Notes to Financial Statements June 30, 2015

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

Public Maintenance and Contribution Income Recognition (continued)

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 generally 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 the subsequent fiscal year are included in prepaid expenses on the statement of financial position.

Property, Plant and Equipment

Property, plant and equipment is stated at cost or, if donated, at the estimated fair value at the date of donation. Costs incurred for repairs and maintenance are charged to expense as incurred. Depreciation and amortization 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
Trucks and automobile	4 years
Leasehold improvements	Life of lease or useful life if shorter

Property, plant 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.

The Agency reviews its property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of an asset exceeds its fair value. If such review indicates that the asset is impaired, the asset's carrying amount would be written down to fair value. Management has determined that no impairment adjustment was required for the years ended June 30, 2015 and 2014.

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.

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Notes to Financial Statements June 30, 2015

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

Summarized Comparative Information

The statements of activities and functional expenses include 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 US GAAP. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2014 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 or disclosure. The Agency is no longer subject to audits by the applicable taxing jurisdictions for tax years prior to fiscal 2012.

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 17, 2015.

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 that are due from government agencies for such arrangements, included in public maintenance receivables on the statement of financial position, totaled \$13,136,432 and \$13,656,464 as of June 30, 2015 and 2014. Management believes all receivables are collectible and accordingly no allowances for uncollectible accounts have been established for 2015 and 2014. The percentage of the total by third party payor was as follows:

	<u>2015</u>	<u>2014</u>
New York City	76 %	76 %
Medicaid	20	20
Other counties	<u>4</u>	<u>4</u>
	<u>100 %</u>	<u>100 %</u>

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.

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Notes to Financial Statements June 30, 2015

4. Unconditional Promises to Give

Other receivables and prepaid expenses include unconditional promises to give and as of June 30, 2015, are due to be collected as follows:

Due in one year or less	\$ 821,027
Due in two through five years	<u>400,000</u>
	<u>\$ 1,221,027</u>

As of June 30, 2015, all promises to give receivable are deemed collectable by management.

5. Investments

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

	<u>2015</u>	<u>2014</u>
Domestic Stocks Large Blend Index Fund	\$ 5,914,423	\$ 5,980,465
International Stocks Large Blend Index Fund	1,449,661	1,104,876
Intermediate Term Bond Index Fund	<u>6,291,756</u>	<u>6,134,861</u>
	<u>\$ 13,655,840</u>	<u>\$ 13,220,202</u>

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

	<u>2015</u>	<u>2014</u>
Unrestricted	\$ 12,513,881	\$ 12,095,812
Restricted	<u>1,141,959</u>	<u>1,124,390</u>
	<u>\$ 13,655,840</u>	<u>\$ 13,220,202</u>

As of June 30, 2015 and 2014, all of the Agency's investments, bought, sold and held were considered Level 1 investments.

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

	<u>2015</u>	<u>2014</u>
Interest and dividends	\$ 332,868	\$ 296,135
Realized and unrealized gains	148,192	1,364,690
Investment fees	<u>(17,239)</u>	<u>(19,277)</u>
	<u>\$ 463,821</u>	<u>\$ 1,641,548</u>
Operating	\$ 26,833	\$ 23,411
Non-operating	<u>436,988</u>	<u>1,618,137</u>
	<u>\$ 463,821</u>	<u>\$ 1,641,548</u>

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Notes to Financial Statements June 30, 2015

6. Property, Plant and Equipment

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

	<u>2015</u>	<u>2014</u>
Land	\$ 144,900	\$ 144,900
Buildings and improvements	10,688,404	10,515,930
Furniture and equipment	3,018,793	2,863,453
Leasehold improvements	3,056,490	3,036,443
Trucks and automobiles	<u>31,400</u>	<u>16,450</u>
	16,939,987	16,577,176
Accumulated depreciation and amortization	<u>(14,091,333)</u>	<u>(13,586,842)</u>
	<u>\$ 2,848,654</u>	<u>\$ 2,990,334</u>

During the year ended June 30, 2014, the Agency determined that \$556,776 of construction in progress related to the Graham School Campus Master Plan should be written off since the project was discontinued and any such related costs were deemed non salvageable.

7. Due to Governments

A New York City (NYC) foster care audit for fiscal years 2011 and 2012 is currently in progress with the results yet to be determined. A liability to NYC of \$4,826,228 is included in the \$8,849,140 amount due to governments on the accompanying statement of financial position. The remaining balance of \$4,022,912 consists of potential liabilities to governments for non foster care programs. Management believes this estimated liability is adequate.

8. Mortgage Payable

The Agency has a mortgage loan payable maturing in April 2026. The interest rate for the first rate period ending April 26, 2016 is 7.5% per annum. 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 27, 2016. Future scheduled principal payments at June 30, 2017 are payable as follows:

2016	\$ 72,000
2017	72,000
2018	72,000
2019	72,000
2020	72,000
Thereafter	<u>419,900</u>
	<u>\$ 779,900</u>

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Notes to Financial Statements June 30, 2015

9. Portfolio Loan Account

The Agency has a portfolio loan account with Morgan Stanley Smith Barney. The portfolio loan account is a security-based loan agreement that allows the Agency to borrow up to \$2,500,000 or 50 percent of the assets in the account whichever is lower. Interest is charged monthly on all outstanding amounts under this agreement at an interest rate of LIBOR plus 2.25 percent. At June 30, 2015 the available borrowing was \$2,500,000 with no outstanding obligation under this agreement.

10. Union Free School District No. 10

The Agency received payments in fiscal 2015 and 2014 totaling \$78,120 and \$88,062 from the Union Free School District No. 10 (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 School District.

11. Employee Benefit Plans

The Agency's union employees are covered by a collective bargaining agreement with the 1199SEIU United Healthcare Workers East (the 'Union'), which expires April 30, 2019, and includes participation in the following funds: (A) 1199 SEIU National Benefit Fund for Health and Human Services Employees ("Health Plan"); and, (B) 1199 SEIU Health Care Employees Pension Fund ("Pension Plan"). The Pension Plan is a multi-employer, non-contributory defined benefit pension plan that runs on a calendar year and operates under employer identification number 13-3604862. Separate actuarial information regarding such plan is not made available to the contributing employers by the union administrators or trustees since the plan does not maintain separate records for each reporting unit. According to the latest available information, as of December 31, 2014, the Pension Plan was in the "Green Zone" with a current funded percentage of at least 80%. The Health Plan is a jointly-trusted employee welfare benefit fund which provides health and other benefits to eligible participants employed in the healthcare industry who are covered under collective bargaining agreements and operates under employer identification number 13-1628401.

The Agency's contributions to the Pension Plan totaled approximately \$233,000 and \$465,000 and its contributions to the Health Plan totaled \$995,000 and \$953,000 for the years ended June 30, 2015 and 2014 and did not exceed more than 5% of the total contributions made to the plans by all contributing employers.

Assets contributed to the multi-employer plans may be used to provide benefits of employment to other participating employers. If a plan employer stops contributing to the plans, the unfunded obligations of the plan may be borne by the remaining participating employers. If the Agency stops participating in the plans, it may be required to pay those plans an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

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Notes to Financial Statements June 30, 2015

11. Employee Benefit Plans *(continued)*

The Agency makes contributions to a defined contribution pension plan for participating employees. Pension expense was approximately \$915,000 and \$914,000 for the years ended June 30, 2015 and 2014.

The Agency has a matching thrift savings plan available to all eligible employees. Agency expense amounted to approximately \$118,000 and \$106,000 for the years ended June 30, 2015 and 2014.

12. Commitments and Contingencies

The Agency maintains several operating leases for office and program facilities and for equipment and automobiles which expire in varying years through 2030. The lease for the Agency's headquarters includes provisions for escalations and sharing of common expenses. Aggregate minimum annual rentals for office and program facilities for the years ending June 30, are payable as follows:

2016	\$ 1,145,696
2017	715,270
2018	658,498
2019	548,419
2020	437,656
Thereafter	<u>437,605</u>
	<u>\$ 3,943,144</u>

In accordance with a lease agreement, two standby letters of credit are maintained in the amount of \$81,166. These standby letters of credit are held by the landlord and may be presented to the bank by the landlords 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.

On July 1, 2015, the Agency entered into a new fifteen year lease agreement for the rental of new office space located in Brooklyn, New York and commences December 1, 2015. The new lease agreement provides the Agency with a ten month free rent allowance.

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Notes to Financial Statements June 30, 2015

12. Commitments and Contingencies (*continued*)

Aggregate minimum future annual payments for the years ending June 30, are payable for this new lease as follows:

2016	\$	-
2017		431,340
2018		575,120
2019		575,120
2020		575,120
Thereafter		<u>7,449,030</u>
		<u>\$ 9,605,730</u>

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

2016	\$	304,471
2017		248,918
2018		178,462
2019		52,227
2020		<u>22,415</u>
		<u>\$ 806,493</u>

Rental expense for office and program facilities for the years ended June 30, 2015 and 2014 was \$1,113,979 and \$1,083,574. Rental expense for equipment and automobiles for the years ended June 30, 2015 and 2014 was \$317,240 and \$283,571.

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.

13. Economic Dependency

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

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Notes to Financial Statements June 30, 2015

14. Temporarily Restricted Net Assets

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

	<u>2015</u>	<u>2014</u>
Westchester Residential Services	\$ 11,074	\$ 11,074
Family Permanency Planning	197,109	276,721
Family and Community Support	1,681,734	277,893
Support Program	-	3,740
	<u>\$ 1,889,917</u>	<u>\$ 569,428</u>

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

	<u>2015</u>	<u>2014</u>
Westchester Residential Services	\$ 15,000	\$ 45,429
Family Permanency Planning	323,190	116,365
Family and Community Support	549,977	242,467
General Support	45,000	5,130
Time Restriction	14,641	20,194
	<u>\$ 947,808</u>	<u>\$ 429,585</u>

15. Endowment Funds

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.

Interpretation of Relevant Law

The Board of the Agency has interpreted New York Prudent Management of Institutional Funds Act ("NYPMIFA") as allowing the Agency to appropriate for expenditures or accumulate so much of the donor-restricted endowment fund as the Agency determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donors as expressed in their gift instruments except in those cases where the law allows appropriation for spending of the original gift amounts. The assets in the endowment funds shall be donor-restricted assets until appropriated for expenditure by the Board. Unless authorized by the Board, the appropriations from the endowment fund should not deplete the historical dollar value of the endowment fund.

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Notes to Financial Statements June 30, 2015

15. Endowment Funds *(continued)*

Interpretation of Relevant Law (continued)

Changes in donor-restricted endowment net assets for the years ended June 30, 2015 and 2014 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2013	\$ -	\$ 978,806	\$ 978,806
Interest and dividends	24,144	-	24,144
Advisory fees	(3,029)	-	(3,029)
Realized gains	-	182	182
Unrealized gains	-	145,402	145,402
Appropriation for expenditure	<u>(20,194)</u>	<u>-</u>	<u>(20,194)</u>
Balance, June 30, 2014	921	1,124,390	1,125,311
Interest and dividends	18,354	-	18,354
Advisory fees	(3,054)	-	(3,054)
Realized gains	-	40,697	40,697
Unrealized loss	-	(23,128)	(23,128)
Appropriation for expenditure	<u>(14,641)</u>	<u>-</u>	<u>(14,641)</u>
Balance, June 30, 2015	<u>\$ 1,580</u>	<u>\$ 1,141,959</u>	<u>\$ 1,143,539</u>

Investment Policy, Return Objective and Risk Parameters

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.

Spend Policy

The Agency's spending policy is to use only interest and dividends earned on the endowment funds, per donor stipulation.

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