Graham Windham

Financial Statements

June 30, 2021

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, 2021, 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.

PKF O'CONNOR DAVIES, LLP
245 Park Avenue, New York, NY 10167 I Tel: 212.867.8000 or 212.286.2600 I Fax: 212.286.4080 I www.pkfod.com

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, 2021 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.

Report on Summarized Comparative Information

We have previously audited Graham Windham's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

December 29, 2021

Graham Windham

Statement of Financial Position
June 30, 2021
(with comparative amounts at June 30, 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 7,861,805	$ 9,625,696
Public maintenance receivables	15,845,459	16,772,752
Other receivables and prepaid expenses	2,842,941	3,505,152
Assets held for sale	144,900	-
Investments	18,802,593	15,025,498
Property, plant and equipment, net	1,716,081	3,059,924
Restricted investments	1,774,577	1,427,313
	$ 48,988,356	$ 49,416,335
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 8,617,711	$ 9,065,568
Deferred lease liabilities	1,082,012	1,103,270
Due to governments	11,986,461	12,507,300
Mortgage and loans payable	4,170,835	4,379,009
Total Liabilities	25,857,019	27,055,147
Net Assets		
Without donor restrictions	18,578,793	17,721,922
With Donor Restrictions		
Temporary in nature	2,777,967	3,211,953
Permanent in nature	1,774,577	1,427,313
Total With Donor Restrictions	4,552,544	4,639,266
Total Net Assets	23,131,337	22,361,188
	$ 48,988,356	$ 49,416,335

See notes to financial statements

Graham Windham

Statement of Activities
Year Ended June 30, 2021
(with summarized totals for the year ended June 30, 2020)

	Without Donor Restrictions	With Donor Restrictions: Temporary in Nature	With Donor Restrictions: Permanent in Nature	With Donor Restrictions: Total With Donor Restrictions	2021 Total	2020 Total
OPERATING INCOME						
Public Support						
Public maintenance income	$ 42,991,671	$ -	$ -	$ -	$ 42,991,671	$ 47,882,744
Contributions and grants	2,296,893	2,182,411	-	2,182,411	4,479,304	5,969,018
Special events, net of direct costs of $69,915 in 2021 and $79,656 and 2020	1,538,177	-	-	-	1,538,177	1,596,827
Total Public Support	46,826,741	2,182,411	-	2,182,411	49,009,152	55,448,589
Program service fees and other	704,731	-	-	-	704,731	64,326
Revenue from UFSD No. 10	41,848	-	-	-	41,848	39,595
Investment income	41,178	30,165	-	30,165	71,343	69,883
Net assets released from restrictions	2,646,562	(2,646,562)	-	(2,646,562)	-	-
Total Operating Income	50,261,060	(433,986)	-	(433,986)	49,827,074	55,622,393
OPERATING EXPENSES						
Program services	44,544,404	-	-	-	44,544,404	47,689,783
Management and general	7,144,331	-	-	-	7,144,331	6,180,972
Fundraising	1,118,727	-	-	-	1,118,727	868,288
Total Operating Expenses	52,807,462	-	-	-	52,807,462	54,739,043
Excess (Deficiency) of Operating Income Over Operating Expenses	(2,546,402)	(433,986)	-	(433,986)	(2,980,388)	883,350
NON OPERATING ACTIVITY						
Investment income	3,403,273	-	347,264	347,264	3,750,537	816,928
Change in Net Assets	856,871	(433,986)	347,264	(86,722)	770,149	1,700,278
NET ASSETS						
Beginning of year	17,721,922	3,211,953	1,427,313	4,639,266	22,361,188	20,660,910
End of year	$ 18,578,793	$ 2,777,967	$ 1,774,577	$ 4,552,544	$ 23,131,337	$ 22,361,188

See notes to financial statements

Graham Windham

Statement of Functional Expenses
Year Ended June 30, 2021
(with summarized totals for the year ended June 30, 2020)

	Program Services					Supporting Services				
	Westchester Residential Services	Foster Care and Preventitive Services	Medicaid	Family and Community Support Services	Total	Management and General	Fundraising	Total	2021 Total	2020 Total
PERSONNEL										
Salaries	$ 977,201	$ 13,177,549	$ 3,555,347	$ 4,058,224	$ 21,768,321	$ 3,549,840	$ 329,806	$ 3,879,646	$ 25,647,967	$ 27,242,505
Employee benefits and payroll taxes	438,802	3,528,831	935,066	934,569	5,837,268	939,794	85,866	1,025,660	6,862,928	8,426,677
CARE AND MAINTENANCE										
Food	4,993	562	131	48,552	54,238	-	20,875	20,875	75,113	290,637
Clothing	2,978	444,488	-	235	447,701	-	-	-	447,701	492,784
Travel and workers expense	449	113,140	2,834	27,401	143,824	723	74	797	144,621	426,630
Allowances and recreation	6,044	251,042	7,457	495,203	759,746	-	24,005	24,005	783,751	816,095
Medicine and medical supplies	-	-	59,231	-	59,231	-	-	-	59,231	65,303
Boarding payments to foster parents	24,245	7,024,815	-	-	7,049,060	-	-	-	7,049,060	6,894,752
PROFESSIONAL FEES										
Health services	-	-	1,630,542	-	1,630,542	-	-	-	1,630,542	1,459,388
Audit, legal and consultants	214,880	271,224	9,089	2,869	498,062	170,091	320,151	490,242	988,304	723,817
Purchased services	180,220	479,405	107,192	116,416	883,233	499,773	57,952	557,725	1,440,958	1,348,179
STAFF										
Staff development and conference	23,566	37,378	3,687	20,012	84,643	10,732	51,645	62,377	147,020	197,592
FIXED CHARGES, SERVICES AND EQUIPMENT										
Rent	-	675,664	280,646	156,474	1,112,784	524,602	43,764	568,366	1,681,150	1,425,040
Utilities	234,022	97,011	55,680	20,212	406,925	22,940	1,681	24,621	431,546	529,076
Repairs and maintenance	238,397	491,421	145,266	153,216	1,028,300	647,650	8,488	656,138	1,684,438	1,194,280
Telephone	51,828	158,304	39,077	68,216	317,425	105,276	1,352	106,628	424,053	325,772
Insurance	174,078	529,873	141,999	149,858	995,808	169,302	11,763	181,065	1,176,873	1,045,500
Postage	2,691	4,844	2,965	7,450	17,950	20,259	2,595	22,854	40,804	41,745
Equipment and vehicle rental	90,032	65,529	23,764	19,892	199,217	21,297	803	22,100	221,317	260,320
Supplies and equipment	33,557	246,631	62,193	84,387	426,768	74,593	78,956	153,549	580,317	593,645
Dues, licenses and permits	869	2,212	8,454	350	11,885	24,459	-	24,459	36,344	146,276
Subscriptions and publications	-	-	2,359	-	2,359	111,008	4,285	115,293	117,652	8,264
Event expenses	-	-	-	-	-	-	69,915	69,915	69,915	79,656
Depreciation and amortization	399,721	107,079	49,502	18,830	575,132	151,538	13,908	165,446	740,578	481,612
Taxes	42,441	46,798	39,695	10,398	139,332	27,924	1,267	29,191	168,523	139,741
Administrative	3,822	50,571	11,778	13,965	80,136	70,099	59,491	129,590	209,726	106,436
Interest	-	9,415	4,161	938	14,514	2,431	-	2,431	16,945	56,977
Total Expenses	3,144,836	27,813,786	7,178,115	6,407,667	44,544,404	7,144,331	1,188,642	8,332,973	52,877,377	54,818,699
Less costs with direct benefit to donors	-	-	-	-	-	-	(69,915)	(69,915)	(69,915)	(79,656)
Total Expenses Reported by Function on the Statement of Activities	$ 3,144,836	$ 27,813,786	$ 7,178,115	$ 6,407,667	$ 44,544,404	$ 7,144,331	$ 1,118,727	$ 8,263,058	$ 52,807,462	$ 54,739,043

See notes to financial statements

Graham Windham

Statement of Cash Flows
Year Ended June 30, 2021
(with comparative amounts for the year ended June 30, 2020)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 770,149	$ 1,700,278
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	740,578	481,612
Donation of stock	(232,674)	(3,285,186)
Realized and unrealized gain on investments	(3,452,469)	(485,330)
Straight-line rent adjustment	24,203	24,203
Deferred lease incentive amortization	(45,461)	(45,461)
Changes in operating assets and liabilities		
Public maintenance receivables	927,293	(3,600,601)
Other receivables and prepaid expenses	662,211	1,555,607
Accounts payable and accrued expenses	(447,857)	424,731
Due to governments	(520,839)	3,493,267
Net Cash from Operating Activities	(1,574,866)	263,120
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(79,219)	(57,425)
Transfer of property, plant and equipment	537,584	-
Purchase of investments	(896,380)	(3,608,535)
Proceeds from sale of investments	457,164	5,742,417
Net Cash from Investing Activities	19,149	2,076,457
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of portfolio loan	(157)	(996,779)
Proceeds from Paycheck Protection Program Loan	-	3,800,000
Repayment of debt	(208,017)	(204,643)
Net Cash from Financing Activities	(208,174)	2,598,578
Net Change in Cash and Cash Equivalents	(1,763,891)	4,938,155
CASH AND CASH EQUIVALENTS		
Beginning of year	9,625,696	4,687,541
End of year	$ 7,861,805	$ 9,625,696
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 16,944	$ 56,977

See notes to financial statements

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 strive to make a life-altering difference with children, youth and families in full partnership with them and the communities where they live. Graham Windham seeks to ensure that each child served has a strong foundation for life: a safe, loving, permanent family and the opportunity and preparation to thrive in school and in the world.

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.

At the end of the 2020 fiscal year, there was a reduction in programming when the Hard to Place Program was discontinued. In the 2021 fiscal year, the agency also discontinued the Raise the Age and Regular Institution programs.

Foster Care and Preventive Services include the following programs:

Family Foster Care - Placement and supervision of children with selected foster families. Supplemental programming includes Enhanced Discharge Support and Preventive Waiver for Aftercare Support.

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.

Therapeutic Family Foster Care - 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.

1. Organization and Tax Status *(continued)*

Program Services (continued)

Medicaid:

Foster Care Clinics and the Health Home program provide medical, clinical and nursing care for all children in the above-mentioned foster care programs. Health Homes 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. All medical costs incurred in non-foster care programs are provided for within the specific program.

Health and Wellness 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 Family Enrichment Center in Hunts Point - Aimed at providing help to stressed families before they come to the attention of the child welfare or justice systems. Family Enrichment Centers use a community organizing, family-centered and customer-service oriented approach to help families identify their needs and use their own strengths and the strength of their community to support each other and create meaningful lasting solutions.

Family Success Initiative (including Forever Families and Visit Coaching) - 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.

Youth Success Support Services include the following programs:

The Beacon Schools, Cornerstone Community Centers and Saturday Night Lights - 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 Bronx, and the Manhattanville Community Centers in Harlem.

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.

1. Organization and Tax Status *(continued)*

Program Services (continued)

Department of Education Community Schools - Provides struggling schools 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 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 as follows:

Net assets without donor restrictions - consist of resources available for the general support of the Agency's operations. Net assets without donor restrictions may be used at the discretion of the Agency's management and Board of Directors.

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

Net Asset Presentation (continued)

Net assets with donor restrictions - represent amounts restricted by donors for specific activities of the Agency or to be used at some future date. The Agency records contributions as net assets with donor restrictions if they are received with donor stipulations that limit their use either through purpose or time restrictions. When a donor restriction expires, that is, when a time restriction ends or a purpose restriction is fulfilled, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Net assets with donor restrictions also consist of net assets that are subject to donor imposed restrictions that require the Agency to maintain them in perpetuity, including funds that are subject to restrictions of gift instruments requiring that the principal be invested in perpetuity and the income be used for specific or general purposes. These funds are held as endowment fund investments. Income and gains earned on endowment fund investments are available to be used as net assets without donor restrictions or net assets with donor restrictions based upon stipulations by the donors.

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.

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

Assets Held for Sale

Property and equipment which have ceased to be of productive use in operations can be held for sale with approval from the Board of Directors. The asset would be removed from the asset register and recorded as an asset held for sale at the lesser of its historical net carrying value (cost less accumulated depreciation to date) and net realizable value (estimated fair value less of any costs of disposition).

Public Maintenance and Contribution Income Recognition

The Agency derives its revenue from, among other sources, cost reimbursement contracts with federal, New York State, New York City and other counties' government agencies, 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 net assets with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

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 due to governments 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.

An estimated allowance for doubtful accounts is provided when necessary based on management's assessment of collectability on a pledge-by-pledge and contract-by-contract basis.

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 other receivables and prepaid expenses on the statement of financial position.

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

Property, Plant and Equipment

Property, plant and equipment are 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 are 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, 2021 and 2020.

Functional Allocation of Expenses

Expenses have been charged to program and supporting services, either directly when identifiable to a specific program, or indirectly based on management's estimate of the functional area benefited. Such allocations are determined by management on an equitable basis. The expenses that are allocated include the following:

Expense Classification	Method of Allocation
Rent	Square footage
Utilities	Square footage
Repairs and maintenance	Square footage
Insurance	Time and effort
Supplies and equipment	Square footage
Interest	Square footage
Taxes	Square footage

All other expenses were direct for the years ended June 30, 2021 and 2020.

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 or functional classification. 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 as of and for the year ended June 30, 2020 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 examinations by the applicable taxing jurisdictions for tax years prior to fiscal 2018.

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 December 29, 2021.

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 $15,344,988 and $15,883,499 as of June 30, 2021 and 2020. Management believes all these receivables are collectible and accordingly no allowances for uncollectible accounts have been established. The percentage of the total by third party payors was as follows:

	2021	2020
New York City	86 %	78 %
Medicaid	11	11
New York State	1	9
Other counties	2	2
	100 %	100 %

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. Unconditional Promises to Give

Other receivables and prepaid expenses in the accompanying statement of financial position include unconditional promises to give, and as of June 30 are due to be collected as follows:

	2021	2020
Due in one year or less	$1,333,318	$2,191,280
Due in two through five years	703,213	563,667
	$2,036,531	$2,754,947

As of June 30, 2021, all promises to give receivable are deemed collectable by management.

5. Loan Receivable

During the year ended June 30, 2020, the Agency issued a loan to Greenburgh Graham Free School District ("Greenburgh"). Greenburgh is a separate entity with common board members which includes 4 board members and the CEO of the Agency. The loan is in the amount of $600,000, at 3.25% plus the 30 day LIBOR rate, payable July 1, 2021. The loan was repaid in full during the year ended June 30, 2021. The loan was included in public maintenance receivables on the accompanying statement of financial position at June 30, 2020.

6. Investments

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

	2021	2020
Domestic Stocks Large Blend Index Fund	$ 8,572,468	$ 6,119,917
International Stocks Large Blend Index Fund	4,402,585	3,301,858
Intermediate Term Bond Index Fund	7,257,936	7,015,926
Equities	344,181	15,110
	$ 20,577,170	$ 16,452,811

6. Investments *(continued)*

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

	2021	2020
Unrestricted	$ 18,802,593	$ 15,025,498
Restricted	1,774,577	1,427,313
	$ 20,577,170	$ 16,452,811

As of June 30, 2021 and 2020, 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:

	2021	2020
Interest and dividends	$ 392,712	$ 423,446
Realized and unrealized gains	3,452,469	485,330
Direct investment fees	(23,301)	(21,965)
	$ 3,821,880	$ 886,811
Operating	$ 71,343	$ 69,883
Non-operating	3,750,537	816,928
	$ 3,821,880	$ 886,811

7. Property, Plant and Equipment

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

	2021	2020
Land	$ -	$ 144,900
Buildings and improvements	1,421,207	11,031,616
Leasehold improvements	3,713,158	3,713,158
Furniture and equipment	3,156,441	3,155,402
Trucks and automobiles	31,400	31,400
Construction in progress	111,180	574,770
	8,433,386	18,651,246
Accumulated depreciation and amortization	(6,717,305)	(15,591,322)
	$ 1,716,081	$ 3,059,924

7. Property, Plant and Equipment *(continued)*

During the year ended June 30, 2021, the Agency transferred control of $534,964 of construction in progress to the Dormitory Authority of the State of New York which is included in repairs and maintenance in the statement of functional expenses. Additionally, the Agency reclassified land with a cost of $144,900 to assets held for sale, as well as $9,571,317 of fully depreciated buildings and improvements.

8. Due to Governments

New York City ("NYC") foster care audits for fiscal years 2018 and 2019 is currently in progress with the results yet to be determined. Liabilities to NYC of $7,973,849 and $6,334,396 are included in the $11,986,461 and $12,507,300 amounts due to governments in the accompanying statement of financial position at June 30, 2021 and 2020. These totals also include $3,552,632 and $3,879,331 of unearned revenue from the NYS Office for Children and Family Services for the Agency's Raise the Age program. The remaining balances of $459,980 and $2,293,573 consist of potential liabilities to governments for non-foster care programs. Management believes this estimated liability is adequate.

9. Mortgage and Loans Payable

Mortgage and Office Space Loan

The Agency has a mortgage loan payable maturing in April 2026. The interest rate for the first rate period which ended April 26, 2016 was 7.5% per annum. Interest for the second rate period, which commenced April 27, 2016, was adjusted to 3.7% per annum.

On August 11, 2015, the Agency entered into a $650,000 loan agreement to help fund the buildout of the leased office space (see note 13), which matures August 2021. The loan is subject to a debt covenant as defined in the loan agreement. The Agency was in compliance with this debt covenant as at June 30, 2021. The interest for the period through August 10, 2016 was subject to a variable rate of interest based on changes in the Index, as defined in the loan agreement, which was the weekly average treasury yield on U.S. Securities adjusted to a constant maturity of five years as made available by the Federal Reserve Board. Commencing August 11, 2016, monthly payments consist of both interest and principal and the rate was adjusted to a fixed rate of 1.4% above the Index (2.47%).

9. Mortgage and Loans Payable *(continued)*

Mortgage and Office Space Loan (continued)

Future scheduled principal payments at June 30, 2021 are payable as follows:

Fiscal Year	Mortgage	Office Space Loan
2022	$ 72,000	$ 22,999
2023	72,000	-
2024	72,000	-
2025	72,000	-
2026	59,836	-
	$ 347,836	$ 22,999

Paycheck Protection Program Loan

During the year ended June 30 2020, the Agency qualified for and received a loan (the "Loan") from Citibank in the amount of $3,800,000 pursuant to the Paycheck Protection Program (the "PPP") under Division A, Title I of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), which was enacted March 27, 2020. The Loan bears interest at a rate of 1.0% per annum, with a deferral of payments for the first six months, has a repayment term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration ("SBA"). The Loan may be prepaid by the borrower at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities, and interest on other debt obligations. Under the terms of the PPP, some or all of the Loan may be forgiven if the proceeds are used for qualifying expenses as described in the CARES Act. To the extent that all or part of the Loan is not forgiven, the Agency will be required to pay interest on the Loan through the date principal is repaid in full or maturity date. The Agency believes that it has used the entire Loan amount for qualifying expenses and as such anticipates that substantially all of the Loan amount will be forgiven upon completing the forgiveness application process. The Loan was forgiven in full subsequent to year end.

The SBA has stated it will review the needs certification on all loans over $2,000,000. After the review, if the SBA determines that the Agency did not meet the need criteria to apply for the PPP loan, the Agency may be required to repay part or all of the PPP loan proceeds plus pay the accrued and unpaid interest. The Agency believes it was eligible to receive the PPP loan proceeds and can justify the spending of funds accordingly.

10. Portfolio Loan Account

The Agency has a portfolio loan account with Morgan Stanley. 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. During the years ended June 30, 2021 and 2020, the outstanding balance of $157 and $996,779 was repaid, with borrowing of $2,500,000 available at June 30, 2021 and 2020. The total interest expense on the outstanding borrowing amounted to $0 and $33,913 for the years ended June 30, 2021 and 2020.

11. Union Free School District No. 10

The Agency received payments in fiscal 2021 and 2020 totaling $41,848 and $39,595 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 also serve on the School Board of the School District.

12. Employee Benefit Plans

The Agency’s union employees are covered by a collective bargaining agreement with the 1199 SEIU United Healthcare Workers East (the “Union”), effective through September 30, 2021, 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, 2020, the Pension Plan was in the “Green Zone” with a current funded percentage of at least 80%. The Health Plan is a jointly-trusteed 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 $124,000 and $350,000 and its contributions to the Health Plan totaled $214,000 and $910,000 for the years ended June 30, 2021 and 2020 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.

12. Employee Benefit Plans *(continued)*

The Agency makes contributions to a defined contribution pension plan for participating employees. Pension expense was approximately $924,000 and $1,002,000 for the years ended June 30, 2021 and 2020.

The Agency has a matching thrift savings plan available to all eligible employees. Agency expense amounted to approximately $135,000 and $136,000 for the years ended June 30, 2021 and 2020.

13. 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 2032. The lease for the Agency's headquarters includes provisions for escalations and sharing of common expenses.

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 which commenced December 1, 2015. The lease agreement provides the Agency with a ten month free rent allowance. The Agency uses the straight-line method to recognize the annual rent expense. The use of the straight-line method results in accelerated recognition of rent expense. On July 1, 2020, the Agency entered into a new five year lease agreement for the rental of new office space located in Brooklyn, New York. On April 23, 2021, the Agency entered into a lease extension for office space located in New York, New York. At June 30, 2021, the cumulative balance of deferred rent expense totaled $726,585 and is reflected in deferred lease liabilities in the accompanying statement of financial position. The new lease agreement also provided the Agency with a lease incentive payment of $719,800 to be applied to the buildout of the new building space. This amount has been deferred and is being amortized over the life of the lease and will be netted against rent expense. At June 30, 2021, the balance of the deferred lease incentive was $355,427 and is reflected in the accompanying statement of financial position as part of the deferred lease liabilities.

Aggregate minimum annual rentals for office and program facilities for the years ending June 30, are payable as follows:

2022	$ 1,624,000
2023	1,284,000
2024	1,301,000
2025	1,317,000
2026	1,105,000
Thereafter	4,854,000
	$11,485,000

13. Commitments and Contingencies *(continued)*

In accordance with the lease agreements, two standby letters of credit are maintained in the amount of $309,726. These standby letters of credit are held by the landlords 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 savings account held in Citibank is identified as specific collateral for this commitment.

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

2022	111,993
2023	70,872
2024	38,103
2025	4,305
	$ 225,273

Rental expense for office and program facilities for the years ended June 30, 2021 and 2020 was $1,681,151 and $1,425,040. Rental expense for equipment and automobiles for the years ended June 30, 2021 and 2020 was $221,316 and $260,320.

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. In addition, in management's opinion, the ultimate liability for these claims will not be in excess of the Agency's insurance coverage.

14. 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.

15. Net Assets with Donor Restrictions – Temporary in Nature

Net assets with donor restrictions – temporary in nature, are available for the following programs or purposes as of June 30:

	2021	2020
Westchester Residential Services	$ 15,745	$ 192,100
Family Permanency Planning	280,746	299,053
Family and Community Support	1,465,437	1,576,265
General support	796,039	924,535
Time restriction	220,000	220,000
	$ 2,777,967	$ 3,211,953

15. Net Assets with Donor Restrictions – Temporary in Nature *(continued)*

Net assets with donor restrictions – temporary in nature, were released from donor restrictions by incurring expenses for the following programs or purposes during the years ended June 30 as follows:

	2021	2020
Westchester Residential Services	$ 176,355	$ 165,687
Family Permanency Planning	201,625	129,225
Family and Community Support	1,602,922	1,646,804
General support	665,660	25,518
Time restriction	-	3,333,217
	$ 2,646,562	$ 5,300,451

16. 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 the 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.

16. Endowment Funds *(continued)*

Interpretation of Relevant Law (continued)

Changes in donor-restricted endowment net assets for the years ended June 30, 2021 and 2020 are as follows:

	With Donor Restrictions		
	Temporary in Nature	Permanent in Nature	Total
Balance, June 30, 2019	$ 10,731	$ 1,370,189	$ 1,380,920
Interest and dividends	31,913	-	31,913
Advisory fees	(3,455)	-	(3,455)
Realized gains	-	5,881	5,881
Unrealized gains	-	51,243	51,243
Appropriation for expenditure	(27,217)	-	(27,217)
Balance, June 30, 2020	11,972	1,427,313	1,439,285
Interest and dividends	33,261	-	33,261
Advisory fees	(3,096)	-	(3,096)
Realized gains	-	50,633	50,633
Unrealized gains	-	296,631	296,631
Appropriation for expenditure	(28,849)	-	(28,849)
Balance, June 30, 2021	$ 13,288	$ 1,774,577	$ 1,787,865

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.

17. Availability and Liquidity

Financial assets available for general expenditures within one year of June 30 are as follows:

	2021	2020
Financial Assets at Year End:		
Cash and cash equivalents	$ 7,861,805	$ 9,625,696
Public maintenance receivables	15,845,459	16,772,752
Other receivables	2,126,382	2,826,867
Assets held for sale	144,900	-
Investments	18,802,593	15,025,498
Restricted investments	1,774,577	1,427,313
Total Financial Assets	46,555,716	45,678,126
Less: amounts not available to be used within one year		
Net assets with donor restrictions	(4,552,544)	(4,639,266)
Add: net assets with purpose restrictions to be met		
in less than one year	2,961,384	2,644,023
	(1,591,160)	(1,995,243)
Financial Assets Available to Meet General Expenditures		
Over the Next Twelve Months	$ 44,964,556	$ 43,682,883

The Agency structures its financial assets to be available to meet its general expenditures and obligations as they come due. As part of its liquidity plan, the Agency relies on reimbursements from government contracts and contributions from donors. Additionally, the Agency has a portfolio loan account which it can draw from.

18. Coronavirus ("COVID-19")

The Coronavirus outbreak has had and may continue to have an adverse effect on the results of operations. Given the uncertainty around the extent and timing of the potential future spread or mitigation of the COVID-19, and around the imposition or relaxation of protective measures, management cannot reasonably estimate the impact to future results of operations, cash flows, or financial condition. Additionally, the COVID-19 pandemic has resulted in substantial volatility in global financial markets. Management cannot reasonably estimate the impact it will have in the future on the Agency's investment portfolio.

* * * * *