Graham Windham

Financial Statements

June 30, 2023

PKF O'CONNOR DAVIES
ACCOUNTANTS AND ADVISORS

Independent Auditors' Report

Board of Directors
Graham Windham

Opinion

We have audited the accompanying financial statements of Graham Windham, which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Graham Windham and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2 to the financial statements, Graham Windham adopted Financial Accounting Standards Board ("FASB") Topic 842, Leases, using the effective date method with July 1, 2022, as the date of initial adoption. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Graham Windham's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Graham Windham's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Graham Windham's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited Graham Windham's June 30, 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 14, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PKF O'Connor Davies, LLP

February 28, 2024

Graham Windham

Statement of Financial Position
June 30, 2023
(with comparative amounts at June 30, 2022)

	2023	2022
ASSETS - OPERATIONS		
Cash and cash equivalents	$ 4,881,311	$ 6,695,277
Public maintenance receivables	23,328,535	18,078,891
Other receivables and prepaid expenses, net	3,494,321	4,054,060
Investments	15,634,210	16,144,071
Property, plant and equipment, net	2,912,801	2,064,885
Right of use assets - operating leases	17,996,615	-
Restricted investments	1,584,858	1,463,052
Total Assets - Operations	69,832,651	48,500,236
ASSETS - DISCONTINUED OPERATIONS		
Public maintenance receivables	89,866	89,866
Other receivables and prepaid expenses	2,350	2,350
Assets held for sale	144,900	144,900
Total Assets - Discontinued Operations	237,116	237,116
Total Assets	$ 70,069,767	$ 48,737,352
LIABILITIES AND NET ASSETS		
Liabilities - Operations		
Accounts payable and accrued expenses	$ 8,419,054	$ 8,054,040
Operating lease liabilities	19,491,989	-
Deferred lease liabilities	-	1,060,754
Due to governments	10,863,384	12,438,724
Porfolio loan	2,606,654	-
Mortgage and loans payable	203,836	275,836
Total Liabilities - Operations	41,584,917	21,829,354
Liabilities - Discontinued Operations		
Accounts payable and accrued expenses	46,688	11,295
Total Liabilities	41,631,605	21,840,649
Net Assets		
Without donor restrictions	22,064,095	22,224,093
With Donor Restrictions		
Temporary in nature	4,789,209	3,209,558
Permanent in nature	1,584,858	1,463,052
Total With Donor Restrictions	6,374,067	4,672,610
Total Net Assets	28,438,162	26,896,703
	$ 70,069,767	$ 48,737,352

See notes to financial statements

Graham Windham

Statement of Activities
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions: Temporary in Nature	With Donor Restrictions: Permanent in Nature	With Donor Restrictions: Total With Donor Restrictions	2023 Total	2022 Total
OPERATING INCOME						
Public Support						
Public maintenance income	$ 49,604,402	$ -	$ -	$ -	$ 49,604,402	$ 44,238,690
Contributions and grants	1,008,045	3,275,849	-	3,275,849	4,283,894	11,399,036
Special events, net of direct costs of $434,359 in 2023 and $298,730 and 2022	1,859,111	1,050,650	-	1,050,650	2,909,761	1,579,419
Total Public Support	52,471,558	4,326,499	-	4,326,499	56,798,057	57,217,145
Program service fees and other	266,348	-	-	-	266,348	26,596
Investment income	123,528	33,974	-	33,974	157,502	77,035
Net assets released from restrictions	2,780,822	(2,780,822)	-	(2,780,822)	-	-
Total Operating Income	55,642,256	1,579,651	-	1,579,651	57,221,907	57,320,776
OPERATING EXPENSES						
Program services	46,897,936	-	-	-	46,897,936	41,196,314
Management and general	7,662,453	-	-	-	7,662,453	7,145,331
Fundraising	1,421,201	-	-	-	1,421,201	1,153,487
Total Operating Expenses	55,981,590	-	-	-	55,981,590	49,495,132
Excess (Deficiency) of Operating Income Over Operating Expenses from Continuing Operations	(339,334)	1,579,651	-	1,579,651	1,240,317	7,825,644
DISCONTINUED OPERATIONS						
Loss on campus	(1,038,587)	-	-	-	(1,038,587)	(1,149,734)
NON OPERATING ACTIVITY						
Investment income (loss)	1,217,923	-	121,806	121,806	1,339,729	(2,910,544)
Change in Net Assets	(159,998)	1,579,651	121,806	1,701,457	1,541,459	3,765,366
NET ASSETS						
Beginning of year	22,224,093	3,209,558	1,463,052	4,672,610	26,896,703	23,131,337
End of year	$ 22,064,095	$ 4,789,209	$ 1,584,858	$ 6,374,067	$ 28,438,162	$ 26,896,703

See notes to financial statements

Graham Windham

Statement of Functional Expenses
Year Ended June 30, 2023
(with summarized totals for the year ended June 30, 2022)

	Program Services				Supporting Services				
	Foster Care and Preventitive Services	Medicaid	Family and Community Support Services	Total	Management and General	Fundraising	Total	2023 Total	2022 Total
PERSONNEL									
Salaries	$ 13,929,070	$ 4,503,364	$ 4,312,872	$ 22,745,306	$ 3,354,277	$ 581,337	$ 3,935,614	$ 26,680,920	$ 25,272,624
Employee benefits and payroll taxes	3,513,323	1,101,786	871,755	5,486,864	847,954	144,693	992,647	6,479,511	6,674,331
CARE AND MAINTENANCE									
Food	1,643	556	130,877	133,076	-	233	233	133,309	114,420
Travel and workers expense	290,021	6,500	183,343	479,864	23,518	312	23,830	503,694	367,985
Allowances and recreation	492,160	18,618	916,112	1,426,890	-	66,148	66,148	1,493,038	1,188,044
Medicine and medical supplies	-	35,621	-	35,621	-	-	-	35,621	1,792
Boarding payments to foster parents	10,294,161	-	543	10,294,704	-	-	-	10,294,704	7,102,741
PROFESSIONAL FEES									
Health services	-	481,906	-	481,906	-	-	-	481,906	364,966
Audit, legal and consultants	470,210	5,746	16,870	492,826	298,793	278,528	577,321	1,070,147	927,461
Purchased services	814,925	268,633	173,803	1,257,361	923,910	123,551	1,047,461	2,304,822	1,627,117
STAFF									
Staff development and conference	51,013	1,180	19,495	71,688	140,179	74,329	214,508	286,196	260,078
FIXED CHARGES, SERVICES AND EQUIPMENT									
Rent	800,275	259,593	205,945	1,265,813	700,477	47,743	748,220	2,014,033	1,842,829
Utilities	86,852	25,764	12,617	125,233	47,752	4,345	52,097	177,330	184,331
Repairs and maintenance	393,347	117,022	160,453	670,822	343,249	6,317	349,566	1,020,388	927,787
Telephone	90,471	13,122	38,515	142,108	123,412	2,440	125,852	267,960	299,146
Insurance	692,871	181,073	166,403	1,040,347	148,848	24,304	173,152	1,213,499	1,053,023
Postage	17,050	1,005	3,876	21,931	35,362	7,851	43,213	65,144	21,382
Equipment and vehicle rental	89,058	10,776	23,349	123,183	26,061	2,008	28,069	151,252	134,502
Supplies and equipment	130,446	29,269	90,238	249,953	46,601	16,728	63,329	313,282	358,950
Dues, licenses and permits	823	4,514	697	6,034	88,678	4,679	93,357	99,391	80,570
Subscriptions and publications	476	561	155	1,192	68,929	3,584	72,513	73,705	22,232
Depreciation and amortization	109,362	50,541	24,664	184,567	148,871	10,282	159,153	343,720	276,994
Taxes	18,880	18,141	132	37,153	40,991	1,105	42,096	79,249	131,497
Administrative	76,075	18,040	22,306	116,421	140,109	20,684	160,793	277,214	239,276
Interest	4,588	2,028	457	7,073	114,482	-	114,482	121,555	21,054
Event expenses	-	-	-	-	-	434,359	434,359	434,359	298,730
Total Expenses	32,367,100	7,155,359	7,375,477	46,897,936	7,662,453	1,855,560	9,518,013	56,415,949	49,793,862
Less costs with direct benefit to donors	-	-	-	-	-	(434,359)	(434,359)	(434,359)	(298,730)
Total Expenses Reported by Function on the Statement of Activities	$ 32,367,100	$ 7,155,359	$ 7,375,477	$ 46,897,936	$ 7,662,453	$ 1,421,201	$ 9,083,654	$ 55,981,590	$ 49,495,132

See notes to financial statements

Graham Windham

Statement of Cash Flows
Year Ended June 30, 2023
(with comparative amounts for the year ended June 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Continuing Operations		
Change in net assets	$ 2,580,046	$ 4,915,100
Adjustments to reconcile change in net assets to net cash from continuing operations		
Depreciation and amortization	343,720	276,994
Disposals of property and equipment	230,866	-
Amortization of right of use assets - operating leases	1,338,392	-
Donation of stock	(320,533)	(641,771)
Realized and unrealized (gain) loss on investments	(948,331)	3,229,798
Straight-line rent adjustment	-	24,203
Deferred lease incentive amortization	-	(45,461)
Paycheck Protection Program loan forgiveness	-	(3,800,000)
Changes in operating assets and liabilities		
Public maintenance receivables	(5,249,644)	(2,275,281)
Other receivables and prepaid expenses	559,739	(1,211,118)
Accounts payable and accrued expenses	365,014	(551,245)
Operating lease liabilities	(903,773)	-
Due to governments	(1,575,340)	452,263
Net Cash from Continuing Operations	(3,579,844)	373,482
Discontinued Operations		
Change in net assets	(1,038,587)	(1,149,734)
Adjustments to reconcile change in net assets to net cash from discontinued operations		
Depreciation and amortization	-	22,173
Changes in operating assets and liabilities		
Public maintenance receivables	-	(48,018)
Other receivables and prepaid expenses	-	(2,350)
Accounts payable and accrued expenses	35,393	(1,131)
Net Cash from Discontinued Operations	(1,003,194)	(1,179,060)
Net Cash from Operating Activities	(4,583,038)	(805,578)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,422,502)	(647,971)
Purchase of investments	(2,310,036)	(854,539)
Proceeds from sale of investments	3,966,955	1,236,559
Net Cash from Investing Activities	234,417	(265,951)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from portfolio loan	2,606,654	-
Repayment of debt	(72,000)	(94,999)
Net Cash from Financing Activities	2,534,654	(94,999)
Net Change in Cash and Cash Equivalents	(1,813,966)	(1,166,528)
CASH AND CASH EQUIVALENTS		
Beginning of year	6,695,277	7,861,805
End of year	$ 4,881,311	$ 6,695,277
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 121,556	$ 21,054
NON CASH INVESTING ACTIVITIES		
Disposals of property and equipment	230,866	-

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:

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.

Health and Wellness Support Services include, but not limited to, the following programs:

Medicaid - Licensed Article 29I/Care Coordination provides five (5) Core Limited Health Services (Nursing, Skill Building, Medicaid and Discharge Planning, Clinical Consultation/Supervision and Medicaid Managed care Liaison) 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.

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.

1. Organization and Tax Status *(continued)*

Program Services (continued)

The Family and Community Support Services on the statement of functional expenses incorporates two branches, Health and Wellness Support Services and Youth Success Support Services.

Health and Wellness Support Services also include the following programs:

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.

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.

1. Organization and Tax Status *(continued)*

Program Services (continued)

Westchester Residential Services:

In the 2021 fiscal year, the Agency discontinued the Raise the Age and Regular Institution programs. In the 2022 fiscal year, the agency discontinued the remaining Westchester Residential 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.

Discontinued operations represent the assets and liabilities related to the Raise the Age program, Regular Institution programs and Westchester Residential Services, and the loss attributed to these programs on the statement of activities.

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.

Adoption of New Accounting Policies

Leases

In February 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases* (Topic 842) which requires organizations that lease assets (lessees) to recognize the assets and related liabilities for the rights and obligations created by the leases on the statement of financial position for leases with terms exceeding 12 months. ASU 2016-02 defines a lease as a contract or part of a contract that conveys the right to control the use of identified assets for a period of time in exchange for consideration. The lessee in a lease will be required to initially measure the right-of-use asset and the lease liability at the present value of the remaining lease payments, as well as capitalize initial direct costs as part of the right-of-use asset.

The Agency adopted the requirements of the new standard effective July 1, 2022, using the modified retrospective transition method, which applies the provisions of the standard at the effective date without any adjustment to the comparative periods presented. The Agency adopted the following practical expedients and elected the following accounting policies related to this standard: Carry forward of historical lease classifications and accounting treatment. Accordingly, the Agency will recognize lease payments on a straight-line basis over the lease term and variable payments in the period when the corresponding obligation is incurred. The Agency's initial adoption resulted in the recognition of an initial operating lease liability of $9,606,578, which represents the present value of the remaining operating lease payments of $10,848,740, with a discounted value at 3% amounting to $1,242,162 and right-of-use asset of $8,365,948, which represents the operating lease liability of $9,606,578 less deferred rent recognized under the previous standard of $1,240,630. The standard did not materially impact operating results or liquidity.

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.

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) or net realizable value (estimated fair value less of any costs of disposition). Assets held for sale are no longer depreciated.

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

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 less costs to sell. Management has determined that no impairment adjustment was required for the years ended June 30, 2023 and 2022

Leases

As of July 1, 2022, The Agency leases various office spaces and automobiles and determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use assets ("ROU assets") and operating lease liabilities on the accompanying statement of financial position.

ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The leases do not provide an implicit borrowing rate. The Agency uses a risk-free rate based on the information available at the commencement date in determining the present value of lease payments. The operating lease ROU asset includes any lease payments made and excludes lease incentives. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Agency will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

The Agency's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

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

Leases (continued)

For the year ended June 30, 2022, U.S. GAAP guidance stated rent shall be charged to expense over the lease term as it became payable. If rental payments are not made on a straight-line basis, rental expense shall be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis shall be used. The difference between the straight-line rent expense and rent paid is reflected as a deferred rent liability in the statement of financial position as of June 30, 2022.

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
Salaries, benefits and taxes	Time and effort
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, 2023 and 2022.

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, 2022 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 2020.

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

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is February 28, 2024.

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. As of June 30, 2023 and 2022, the Agency had approximately $983,000 and $4,000,000 that exceeded the FDIC insurance limits.

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 $22,795,794 and $17,104,732 as of June 30, 2023 and 2022. 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:

	2023	2022
New York City	90 %	82 %
Medicaid	9	16
New York State	-	1
Other counties	1	1
	100 %	100 %

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:

	2023	2022
Due in one year or less	$1,445,887	$2,757,150
Due in two through five years	986,180	288,333
	$2,432,067	$3,045,483

As of June 30, 2023, 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:

	2023	2022
Domestic Stocks Large Blend Index Fund	$ 6,360,068	$ 7,107,872
International Stocks Large Blend Index Fund	3,315,000	3,556,000
Intermediate Term Bond Index Fund	7,306,000	6,722,929
Equities	238,000	220,322
	$ 17,219,068	$ 17,607,123

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

	2023	2022
Without restriction	$ 15,634,210	$ 16,144,071
Restricted	1,584,858	1,463,052
	$ 17,219,068	$ 17,607,123

As of June 30, 2023 and 2022, all of the Agency's investments, bought, sold and held were considered Level 1 investments.

5. Investments *(continued)*

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

	2023	2022
Interest and dividends	$ 579,079	$ 423,206
Realized and unrealized gains (losses)	948,331	(3,229,798)
Direct investment fees	(30,179)	(26,917)
	$ 1,497,231	$(2,833,509)
Operating	$ 157,502	$ 77,035
Non-operating	1,339,729	(2,910,544)
	$ 1,497,231	$(2,833,509)

6. Property, Plant and Equipment

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

	2023	2022
Buildings and improvements	$ 1,482,444	$ 1,685,165
Leasehold improvements	4,843,712	4,021,568
Furniture and equipment	3,863,080	3,342,494
Trucks and automobiles	31,400	31,400
Construction in progress	36,640	-
	10,257,276	9,080,627
Accumulated depreciation and amortization	(7,344,475)	(7,015,742)
	$ 2,912,801	$ 2,064,885

During the year ended June 30, 2023, the Agency transferred control of $230,866 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. For the year ended June 30, 2022, $22,173 of depreciation was included in campus expenses on the statement of activities.

7. Due to Governments

New York City ("NYC") foster care audits for fiscal years 2018 and 2019 are currently in progress with the results yet to be determined. Liabilities to NYC of $6,795,823 and $7,869,634 are included in the $10,863,384 and $12,438,724 amounts due to governments in the accompanying statement of financial position at June 30, 2023 and 2022. These totals also include $2,730,492 of unearned revenue from the NYS Office for Children and Family Services for the Agency's Raise the Age program. The remaining balances of $1,337,069 and $1,838,598 consist of potential liabilities to governments for non-foster care programs. Management believes this estimated liability is adequate.

8. 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.

Future scheduled mortgage principal payments at June 30, 2023 are payable as follows:

Fiscal Year	
2024	$ 72,000
2025	72,000
2026	59,836
	$ 203,836

8. Mortgage and Loans Payable *(continued)*

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. The Loan was forgiven in full during fiscal year 2022 and is included in contributions and grants on the 2022 statement of activities.

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.

9. 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 $3,000,000 ($2,500,000 in 2022) 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, 2023 and 2022, available borrowing is $393,346 and $2,500,000 with an outstanding obligation of $2,606,654 as of June 30, 2023. There was no outstanding obligation under the agreement as of June 30, 2022.

10. Union Free School District No. 10

The Agency received payments in fiscal 2023 and 2022 totaling $0 and $48,018 from the Union Free School District No. 10 (the "School District") for services provided. The cost of these services is included under program expenses in the accompanying financial statements. Certain Agency board members also serve 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 1199 SEIU United Healthcare Workers East (the "Union"), effective through September 30, 2023 (which has been continued as a new agreement is being negotiated), 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, 2021, 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 $32,000 and $37,000 and its contributions to the Health Plan totaled $73,000 and $189,000 for the years ended June 30, 2023 and 2022 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.

The Agency makes contributions to a defined contribution pension plan for participating employees. Pension expense was approximately $1,050,000 and $1,092,000 for the years ended June 30, 2023 and 2022.

The Agency has a matching thrift savings plan available to all eligible employees. Agency expense amounted to approximately $132,000 and $114,000 for the years ended June 30, 2023 and 2022.

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 2042. The lease for the Agency's headquarters includes provisions for escalations and sharing of common expenses.

12. Commitments and Contingencies *(continued)*

On September 1, 2022, the Agency entered into multiple operating lease agreements for vehicles. These lease agreements expire during April 2024. Additionally, the Agency entered into a new operating lease agreement for office space on January 1, 2023. This lease agreement expires in December 2042.

Aggregate minimum annual rentals for office and program facilities for the years ending June 30, at a discount rate of 3%, are payable as follows:

2024	$ 2,061,007
2025	2,079,126
2026	1,841,245
2027	1,899,409
2028	1,946,359
Thereafter	14,374,209
Total undiscounted operating lease payable	24,201,355
Less: imputed interest	(4,709,366)
	$19,491,989

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.

During the 2023 fiscal year, the Agency recognized an additional $10,778,063 of right-of-use assets related to the signing of new leases. The Agency amortizes the operating right-of-use asset over the remaining life of the lease agreement. The right-of-use asset consists of the following at June 30, 2023:

Right-of-use operating leases	$19,335,007
Less: accumulated amortization	(1,338,392)
	$17,996,615

The weighted-average remaining lease term related to the Agency's lease liabilities at June 30, 2023 was 14.04 years and the discount rate related to these liabilities was 3.0%. The discount rate is generally based on the Agency's incremental borrowing rate, as the leases' implicit discount rates cannot be determined.

12. Commitments and Contingencies *(continued)*

Rental expense for office and program facilities for the years ended June 30, 2023 and 2022 was $1,990,928 and $1,824,829 and cash paid for rent amounted to $1,573,494 and $1,426,886.

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.

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.

14. 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:

	2023	2022
Westchester Residential Services	$ 10,157	$ 12,734
Family Permanency Planning	216,614	253,020
Family and Community Support	3,591,776	1,816,284
General support	750,662	907,520
Time restriction	220,000	220,000
	$ 4,789,209	$ 3,209,558

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:

	2023	2022
Westchester Residential Services	$ 2,577	$ 3,011
Family Permanency Planning	122,255	116,550
Family and Community Support	2,495,150	1,730,486
General support	160,840	390,780
	$ 2,780,822	$ 2,240,827

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 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.

Changes in donor-restricted endowment net assets for the years ended June 30, 2023 and 2022 are as follows:

	With Donor Restrictions		
	Temporary in Nature	Permanent in Nature	Total
Balance, June 30, 2021	$ 13,288	$ 1,774,577	$ 1,787,865
Interest and dividends	37,158	-	37,158
Advisory fees	(3,398)	-	(3,398)
Realized gains	-	75,568	75,568
Unrealized losses	-	(387,093)	(387,093)
Appropriation for expenditure	(32,289)	-	(32,289)
Balance, June 30, 2022	14,759	1,463,052	1,477,811
Interest and dividends	38,161	-	38,161
Advisory fees	(4,187)	-	(4,187)
Realized losses	-	(467)	(467)
Unrealized gains	-	122,273	122,273
Appropriation for expenditure	(32,493)	-	(32,493)
Balance, June 30, 2023	$ 16,240	$ 1,584,858	$ 1,601,098

15. Endowment Funds *(continued)*

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.

16. Availability and Liquidity

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

	2023	2022
Financial Assets at Year End:		
Cash and cash equivalents	$ 4,881,311	$ 6,695,277
Public maintenance receivables	23,418,401	18,168,758
Other receivables	2,432,067	3,045,483
Investments	15,634,210	16,144,071
Restricted investments	1,584,858	1,463,052
Total Financial Assets	47,950,847	45,516,641
Less: amounts not available to be used within one year		
Net assets with donor restrictions	(6,374,067)	(4,672,610)
Less: collateral for line of credit	(2,606,654)	-
Add: net assets with purpose restrictions to be met in less than one year	4,019,210	3,200,000
	(4,961,511)	(1,472,610)
Financial Assets Available to Meet General Expenditures Over the Next Twelve Months	$ 42,989,336	$ 44,044,031

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.

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