Graham Windham

Financial Statements

June 30, 2011

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

Independent Auditors' Report

Board of Directors
Graham Windham

We have audited the accompanying statement of financial position of Graham Windham as of June 30, 2011 and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Graham Windham's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Graham Windham's financial statements as of and for the year ended June 30, 2010 and, in our report dated November 29, 2010 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Graham Windham's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Graham Windham as of June 30, 2011 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

O'Connor Davies Munns & Dobbins, LLP

New York, New York
November 28, 2011

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Graham Windham

Statement of Financial Position

June 30, 2011

(with comparative amounts at June 30, 2010)

	2011	2010
ASSETS		
Cash and cash equivalents	$ 5,117,962	$ 3,556,274
Public maintenance receivables	13,293,174	11,612,531
Other accounts receivable and prepaid expenses	796,841	811,414
Investments	9,590,422	8,260,255
Property, plant and equipment, net	4,198,343	4,551,899
Restricted investments	889,411	749,312
	$ 33,886,153	$ 29,541,685
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 8,741,390	$ 9,180,558
Due to governments	10,963,764	8,437,456
Due to Greenburgh School	284,893	244,329
Security deposits	-	13,406
Mortgage payable	1,067,907	1,140,000
Total Liabilities	21,057,954	19,015,749
Net Assets		
Unrestricted	11,707,217	9,424,028
Temporarily restricted	231,571	352,596
Permanently restricted	889,411	749,312
Total Net Assets	12,828,199	10,525,936
	$ 33,886,153	$ 29,541,685

Graham Windham

Statement of Activities

Year Ended June 30, 2011
(with summarized totals for the year ended June 30, 2010)

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total	2010 Total
OPERATING INCOME					
Public Support					
Public maintenance income	$ 65,022,497	$ -	$ -	$ 65,022,497	$ 63,578,805
Contributions and grants	97,185	126,480	-	223,665	667,420
Special events, net of direct costs of $116,451 and $146,165	954,472	1,500	-	955,972	616,496
Revenue from UFSD No. 10	122,529	-	-	122,529	128,096
Total Public Support	66,196,683	127,980	-	66,324,663	64,990,817
Program service fees, other	864,709	-	-	864,709	750,320
Interest income	14,969	18,475	-	33,444	32,746
Net assets released from restrictions	267,480	(267,480)	-	-	-
Total Operating Income	67,343,841	(121,025)	-	67,222,816	65,773,883
OPERATING EXPENSES					
Program services	60,884,974	-	-	60,884,974	60,867,977
Management and general	5,104,032	-	-	5,104,032	4,892,025
Fundraising	405,057	-	-	405,057	493,921
Total Operating Expenses	66,394,063	-	-	66,394,063	66,253,923
Excess (Deficiency) of Operating Income Over Expenses	949,778	(121,025)	-	828,753	(480,040)
NON OPERATING INCOME					
Investment income	1,333,411	-	140,099	1,473,510	945,293
Change in Net Assets	2,283,189	(121,025)	140,099	2,302,263	465,253
NET ASSETS					
Beginning of year	9,424,028	352,596	749,312	10,525,936	10,060,683
End of year	$ 11,707,217	$ 231,571	$ 889,411	$ 12,828,199	$ 10,525,936

See notes to financial statements

Graham Windham

Statement of Functional Expenses

Year Ended June 30, 2011
(with summarized totals for the year ended June 30, 2010)

	Program Services						Supporting Services				
	Westchester Residential Services	Permanency Planning	Medicaid	Early Childhood	Family Preservation	Total	Management and General	Fundraising	Total	2011 Total	2010 Total
PERSONNEL											
Salaries	$ 7,546,044	$ 9,123,340	$ 2,077,116	$ 3,763,909	$ 3,296,256	$ 25,806,665	$ 2,937,041	$ 237,057	$ 3,174,098	$ 28,980,763	$ 28,399,011
Employee benefits and payroll taxes	2,696,242	2,745,937	632,815	924,259	883,187	7,882,440	863,495	71,398	934,893	8,817,333	8,252,142
CARE AND MAINTENANCE											
Food	449,977	1,575	-	89,484	23,415	564,451	-	-	-	564,451	583,744
Clothing	72,639	692,877	-	1,019	-	766,535	-	-	-	766,535	945,382
Travel and workers expense	66,850	270,592	5,827	9,363	55,357	407,989	4,453	466	4,919	412,908	329,144
Allowances and recreation	189,517	136,750	-	32,479	95,475	454,221	-	-	-	454,221	757,296
Medicine and medical supplies	-	-	596,326	720	-	597,046	-	-	-	597,046	620,770
Boarding payments to foster parents	673,083	7,884,877	-	6,322,898	-	14,880,858	-	-	-	14,880,858	15,133,266
PROFESSIONAL FEES											
Health services	-	1,700	1,133,181	962,029	30,347	2,127,257	-	-	-	2,127,257	2,510,508
Audit, legal and consultants	30,234	299,548	125	32,658	607	363,172	108,860	7,000	115,860	479,032	380,175
Purchased services	360,354	760,483	18,168	327,997	54,402	1,521,404	275,114	21,680	296,794	1,818,198	1,785,499
STAFF											
Staff development and conference	22,150	35,749	4,859	33,651	22,959	119,368	42,488	2,259	44,747	164,115	171,244
FIXED CHARGES, SERVICES AND EQUIPMENT											
Rent	-	340,896	58,113	259,519	51,543	710,071	357,228	17,933	375,161	1,085,232	1,240,651
Utilities	444,468	114,556	59,156	125,757	22,956	766,893	38,803	1,942	40,745	807,638	662,436
Repairs and maintenance	308,282	351,992	95,263	160,037	96,755	1,012,329	63,877	4,840	68,717	1,081,046	1,011,409
Telephone	49,828	109,801	16,027	33,278	57,057	265,991	44,539	3,270	47,809	313,800	283,819
Insurance	158,317	113,570	42,805	32,060	45,158	391,910	35,898	2,675	38,573	430,483	429,232
Postage	14,063	33,287	4,694	16,546	11,373	79,963	26,435	9,998	36,433	116,396	107,890
Equipment rental	116,141	56,419	21,865	26,399	28,941	249,765	39,926	2,841	42,767	292,532	309,545
SUPPLIES AND SUNDRY											
Supplies and equipment	238,478	111,792	33,611	228,439	52,700	665,020	72,841	16,170	89,011	754,031	942,807
Dues, licenses and permits	6,273	25,597	2,475	9,984	9,118	53,447	64,902	346	65,248	118,695	147,229
Subscriptions and publications	294	-	-	2,028	-	2,322	1,964	295	2,259	4,581	8,886
Depreciation and amortization	403,022	209,726	52,716	28,745	34,263	728,472	59,594	1,670	61,264	789,736	830,335
Property taxes	51,795	21,600	10,865	67,750	2,043	154,053	15,280	767	16,047	170,100	224,256
Interest	-	53,981	12,746	6,490	10,868	84,085	-	-	-	84,085	11,218
Administrative	52,882	86,597	9,000	24,965	55,803	229,247	51,294	2,450	53,744	282,991	176,029
Total Expenses	$ 13,950,933	$ 23,583,242	$ 4,887,753	$ 13,522,463	$ 4,940,583	$ 60,884,974	$ 5,104,032	$ 405,057	$ 5,509,089	$ 66,394,063	$ 66,253,923

Graham Windham

Statement of Cash Flows

Year Ended June 30, 2011
(with comparative amounts for the year ended June 30, 2010)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 2,302,263	$ 465,253
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	787,007	830,335
Donation of stock	(280,612)	(5,135)
Loss from disposal of property, plant and equipment	2,728	-
Realized and unrealized loss on investments	(1,241,738)	(727,051)
Changes in operating assets and liabilities		
Public maintenance receivables	(1,680,643)	(2,077,647)
Other accounts receivable and prepaid expenses	14,573	318,940
Accounts payable and accrued expenses	(439,168)	(29,452)
Due to governments	2,526,308	294,462
Due to Greenburgh School	40,564	-
Security deposits	(13,406)	-
Net Cash from Operating Activities	2,017,876	(930,295)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(436,179)	(485,485)
Purchase of investments	(1,057,043)	(962,891)
Proceeds from sale of investments	1,109,127	884,137
Net Cash from Investing Activities	(384,095)	(564,239)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of debt	(72,093)	(72,000)
Net Change in Cash and Cash Equivalents	1,561,688	(1,566,534)
CASH AND CASH EQUIVALENTS		
Beginning of year	3,556,274	5,122,808
End of year	$ 5,117,962	$ 3,556,274
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 84,086	$ 11,218

1. Organization and Tax Status

General

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

Program Services

The various programs of the Agency are as follows:

Westchester Residential Services:

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

Family Permanency Planning Services include the following programs:

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

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

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

Medicaid:

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

1. Organization and Tax Status *(continued)*

Program Services (continued)

Early Childhood Services include the following programs:

Day Care Centers – Provision of child care for two to five year-olds during the daytime. The Agency operated three centers; Williamsburg Day Care Center in Brooklyn, Harlem Child Care Center in Manhattan and the Early Learn Child Care Center in the Bronx.

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

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

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

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

Family Preservation Services include the following programs:

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

The Beacon Schools– Provides comprehensive support services to the students of PS 123 in Manhattan and MS 42 in the Bronx.

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

Supporting Services

Management and General – Direction of the overall affairs of the Agency, including the following personnel: accounting, information technology, quality improvement and administrative services.

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

Tax Status

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

2. Summary of Significant Accounting Policies

Use of Estimates

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

Basis of Presentation

The financial statements report amounts separately by class of net assets. Unrestricted amounts are those currently available at the discretion of the board for use in the Agency's operations and those resources invested in property, plant and equipment. Temporarily restricted amounts are those which are stipulated by donors for specific operating purposes or for the acquisition of equipment. Permanently restricted amounts are those which are established by donor restricted gifts and bequests to provide a permanent endowment. All contributions are considered available for unrestricted use, unless specifically restricted by the donor or subject to other legal restrictions.

Cash and Cash Equivalents

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

Fair Value Measurements

The Agency follows Financial Accounting Standards Board (FASB) guidance on Fair Value Measurements which defines fair value and establishes a fair value hierarchy organized into three levels based upon the input assumptions used in pricing assets. Level 1 inputs have the highest reliability and are related to assets with unadjusted 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. As of and for the years ended June 30, 2011 and 2010, all of the Agency's investments, bought, sold and held were considered Level 1 investments.

Investment Valuations

Investments are carried at fair value.

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

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.

Revenue

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

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

Special Events

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

Property, Plant and Equipment

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

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

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

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

Functional Allocation of Expenses

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

Summarized Comparative Information

The statement of activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Agency's financial statements for the year ended June 30, 2010 from which the summarized information was derived.

Endowment

On September 17, 2010, New York State adopted its version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). New York State's version of UPMIFA is known as NYPMIFA. NYPMIFA includes provisions that differ from previous law, including the elimination of the historic dollar value rule with respect to endowment spending, establishment of new standards governing the expenditure and modification of restrictions on endowment funds, and revision of the prudence standard for the management and investment of endowment funds. Accounting principals require that accumulated total investment return on donor restricted endowments not appropriated for expenditure be treated as temporarily restricted net assets to reflect the implied time restrictions under the new law. In accordance with the adoption of NYPMIFA, the Agency reviewed all of its endowment funds and determined that a reclassification of unrestricted net assets was not necessary at June 30, 2011.

Accounting for Uncertainty in Income Taxes

The Agency recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Management has determined that the Agency had no uncertain tax positions that would require financial statement recognition. The Agency is no longer subject to audits by the applicable taxing jurisdictions for tax years prior to 2007.

Subsequent Events Evaluation by Management

Management has evaluated subsequent events for disclosure and/or recognition in the financial statements through the date that the financial statements were available to be issued, which date is November 28, 2011.

3. Concentration of Credit Risk

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

The Agency provides program services that are covered under various third party payor agreements. Receivables from such arrangements, included in public maintenance receivables on the statement of financial position, totaled $13,204,392 and $11,463,065 as of June 30, 2011 and 2010. Management believes all receivables are collectible and accordingly no allowances for uncollectible accounts have been established for 2011 and 2010. The percentage of the total by third party payor was as follows:

	2011	2010
New York City	69 %	68 %
Medicaid	19	18
Federal	1	1
Other counties	6	8
New York State	5	5
	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. Investments

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

	2011	2010
Domestic Stocks Large Blend Index Fund	$ 4,062,217	$ 3,761,696
International Stocks Large Blend Index Fund	929,848	711,215
Intermediate Term Bond Index Fund	5,487,768	4,536,656
	$ 10,479,833	$ 9,009,567

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

	2011	2010
Unrestricted	$ 9,590,422	$ 8,260,255
Restricted	889,411	749,312
	$ 10,479,833	$ 9,009,567

4. Investments *(continued)*

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

	2011	2010
Interest and dividends	$ 266,443	$ 259,687
Realized and unrealized gains	1,241,738	727,051
Investment fees	(16,196)	(22,227)
	$ 1,491,985	$ 964,511
Operating	18,475	19,218
Non-operating	1,473,510	945,293
	$ 1,491,985	$ 964,511

5. Property, Plant and Equipment

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

	2011	2010
Land	$ 144,900	$ 144,900
Buildings and improvements	9,765,463	9,628,591
Furniture and equipment	2,576,215	2,302,587
Leasehold improvements	2,894,629	2,880,955
Trucks and automobiles	16,450	14,200
	15,397,657	14,971,233
Construction in progress	522,795	520,591
	15,920,452	15,491,824
Accumulated depreciation and amortization	(11,722,109)	(10,939,925)
	$ 4,198,343	$ 4,551,899

During fiscal year 2011, the agency disposed of furniture and equipment amounting to $7,551 with accumulation depreciation of $4,823 resulting in a loss on disposal of $2,728.

6. Due to Governments

During fiscal year 2011, a New York City (NYC) foster care audit for the fiscal years 2004 though 2007 was completed. Another audit for fiscal years 2008 and 2009 is currently in progress with the results yet to be determined. A liability to NYC of $7,377,867 (inclusive of $1,621,306 to satisfy the amount due NYC for the fiscal 2004 through 2007 audit and $5,756,561 which acts as a reserve for any potential liabilities resulting from audits for fiscal years 2008 through 2011) is included in the $10,963,764. Management believes this reserve is adequate.

7. Mortgage Payable

The Agency has a mortgage loan payable through April 2026. The interest rate for the first rate period ending April 26, 2016 is 7.5%. Interest for the second rate period (April 27, 2016 through April 26, 2026) will adjust to that rate which is equal to 1.80% per annum above the "Index" (the weekly average yield on U.S. Treasury Securities adjusted to a constant maturity of ten years as made available by the Federal Reserve Board) in effect forty-five days prior to April 26, 2016. Future scheduled principal payments at June 30, 2011 are payable as follows:

2012	$ 72,000
2013	72,000
2014	72,000
2015	72,000
2016	72,000
Thereafter	707,907
	$ 1,067,907

8. Portfolio Loan Account

The Agency has a portfolio loan account with Morgan Stanley Smith Barney. The portfolio loan account is a security based loan agreement that allows the agency to borrow up to 50 percent of the assets in the account. Interest is charged monthly on all outstanding amounts under this agreement at an interest rate of LIBOR plus 2.25 percent. At June 30, 2011 the available borrowing was $2,607,848 with no outstanding obligation under this agreement.

9. Union Free School District No. 10

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

10. Pension Plan

The Agency makes contributions to a defined contribution pension plan for participating employees. Pension expense was approximately $1,167,000 and $1,017,000 for the years ended June 30, 2011 and 2010.

The Agency has a matching thrift savings plan available to all eligible employees. Agency expense amounted to approximately $114,600 and $123,000 for the years ended June 30, 2011 and 2010.

11. Commitments and Contingencies

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

2012	$ 1,362,588
2013	1,409,075
2014	1,447,335
2015	1,486,204
2016	1,526,521
Thereafter	4,536,457
	$11,768,180

Subsequent to year end, the Agency entered into a new operating lease for the Family Foster Care Program in Manhattan. This is an eight year lease beginning on July 1, 2011 at a rate of $117,600 per year.

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

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

2012	$ 210,465
2013	103,760
2014	28,139
2015	4,080
2016	4,080
	$ 350,524

Rental expense for office and program facilities for the years ended June 30, 2011 and 2010 was $1,082,949 and $1,235,327, net of rental income of $198,903 and $193,644. Rental expense for equipment and automobiles for the years ended June 30, 2011 and 2010 was $291,908 and $308,920.

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

12. Economic Dependency

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

13. Temporarily Restricted Net Assets

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

	2011	2010
Westchester Residential Services	$ 36,100	$ 70,437
Family Permanency Planning	168,579	137,724
Early Childhood	25,644	82,924
Family Preservation	-	61,511
Time restriction	1,248	-
	$ 231,571	$ 352,596

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

	2011	2010
Westchester Residential Services	$ 36,337	$ 22,168
Family Permanency Planning	60,125	113,242
Early Childhood	72,280	753,023
Family Preservation	81,511	4,892
Support Services	-	4,496
Time restriction	17,227	-
	$ 267,480	$ 897,821

14. Endowment and Net Assets Designated for Investments

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

14. Endowment and Net Assets Designated for Investments *(continued)*

Interpretation of Relevant Law

The Board of Directors of the Agency has interpreted NYPMIFA as requiring the preservation of the value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary, and except in those cases where the law allows appropriation for spending of the original gift amounts. As a result of this interpretation, the Board classifies as permanently restricted net assets (a) the original value of the gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations of investment returns to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Board in a manner consistent with the standard of prudence prescribed by NYPMIFA.

Changes in donor-restricted endowment net assets for the years ended June 30, 2011 and 2010 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance, June 30, 2009	$ -	$ -	$ 679,946	$ 679,946
Interest and dividends	25,638	-	-	25,638
Advisory fees	(2,027)	-	-	(2,027)
Realized gains	-	-	11,658	11,658
Unrealized gains	-	-	57,708	57,708
Appropriation for expenditure	(23,611)	-	-	(23,611)
Balance, June 30, 2010	-	-	749,312	749,312
Interest and dividends	-	20,892		20,892
Advisory fees	-	(2,417)	-	(2,417)
Realized gains	-	-	83	83
Unrealized gains	-	-	140,016	140,016
Appropriation for expenditure	-	(17,227)	-	(17,227)
Balance, June 30, 2011	$ -	$ 1,248	$ 889,411	$ 890,659

14. Endowment and Net Assets Designated for Investments *(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.