The New York Foundling Hospital

Financial Statements
Year Ended June 30, 2016

The report accompanying these financial statements was issued by
BDO USA, LLP, a Delaware limited liability partnership and the U.S. member of
BDO International Limited, a UK company limited by guarantee.

The New York Foundling Hospital

Financial Statements
Year Ended June 30, 2016

The New York Foundling Hospital

Contents

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Independent Auditor's Report

To the Board of Trustees
The New York Foundling Hospital
New York, New York

We have audited the accompanying financial statements of The New York Foundling Hospital (the "Foundling"), which comprise the statement of financial position as of June 30, 2016, 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the statement of financial position of The New York Foundling Hospital as of June 30, 2016, 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 the 2015 financial statements of The New York Foundling Hospital and our report, dated December 1, 2015, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

BDO USA, LLP

November 28, 2016

The New York Foundling Hospital

Statement of Financial Position
(with comparative totals for 2015

June 30,	**2016**	2015
Assets		
Current:		
Cash and cash equivalents	**$ 9,182,558**	$ 15,390,677
Cash held in escrow	**-**	4,500,000
Investments at fair value (Note 3)	**54,692,845**	54,729,020
Accounts and grants receivable, net of allowance of $1,140,129 and $2,387,940 for 2016 and 2015, respectively (Note 2)	**13,968,629**	14,737,265
Bequest receivable	**-**	4,152,785
Prepaid expenses, deposits and other assets	**1,363,454**	2,060,455
Consumer funds	**322,296**	231,166
Assets limited as to use (Note 4)	**125,677**	124,726
Total Current Assets	**79,655,459**	95,926,094
Deferred Financing Costs	**1,063,724**	1,171,793
Assets Limited as to Use, Net of Current Portion (Note 4)	**733,636**	690,447
Fixed Assets, Net (Note 5)	**51,026,600**	43,907,928
	$132,479,419	$141,696,262
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 12,474,499**	$ 16,166,240
Accrued pension liabilities	**2,376,663**	3,363,134
Consumer funds	**322,296**	231,166
Deferred revenue	**6,697,352**	5,725,251
Current portion of loans payable (Note 6)	**1,900,000**	1,900,000
Current portion of mortgages payable (Note 7)	**271,826**	265,904
Current portion of bonds payable (Note 8)	**535,009**	513,604
Total Current Liabilities	**24,577,645**	28,165,299
Accrued Pension Obligation (Note 10)	**150,922**	262,157
Loan Payable, Less Current Portion (Note 6)	**20,208,333**	22,108,333
Mortgages Payable, Less Current Portion (Note 7)	**1,845,680**	2,116,313
Bonds Payable, Less Current Portion (Note 8)	**9,566,183**	10,101,192
Total Liabilities	**56,348,763**	62,753,294
Commitments and Contingencies (Notes 6, 7, 8, 9, 10 and 15)		
Net Assets:		
Unrestricted	**64,431,504**	67,213,222
Temporarily restricted (Note 13)	**7,739,611**	7,843,993
Permanently restricted (Note 14)	**3,959,541**	3,885,753
Total Net Assets	**76,130,656**	78,942,968
	$132,479,419	$141,696,262

See accompanying notes to financial statements.

The New York Foundling Hospital

Statement of Activities
(with comparative totals for 2015)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2016	Total 2015
Program Revenue:					
Government and other grants and contracts	$118,726,844	$ -	$ -	**$118,726,844**	$111,388,387
Contributions	1,600,756	2,826,527	73,788	**4,501,071**	4,102,604
Special events	573,450	-	-	**573,450**	-
Other program revenue	3,855,751	-	-	**3,855,751**	3,490,027
In-kind contributions	2,852,214	-	-	**2,852,214**	2,420,836
Net assets released from restrictions (Note 12)	3,641,175	(3,641,175)	-	**-**	-
Total Program Revenue	131,250,190	(814,648)	73,788	**130,509,330**	121,401,854
Program Expenses:					
Program services:					
Foster care residential facilities	4,213,217	-	-	**4,213,217**	4,003,031
Foster family boarding homes and adoption	26,715,783	-	-	**26,715,783**	26,936,910
OPWDD services	34,502,030	-	-	**34,502,030**	27,938,402
Foster care Medicaid	7,562,736	-	-	**7,562,736**	6,911,413
Day care	1,723,434	-	-	**1,723,434**	1,696,351
Puerto Rico Headstart	13,344,436	-	-	**13,344,436**	13,300,057
Preventive services	22,034,854	-	-	**22,034,854**	22,546,970
Other programs	8,967,197	-	-	**8,967,197**	8,957,361
Total Program Services	119,063,687	-	-	**119,063,687**	112,290,495
Supporting services:					
Management and general	15,849,587	-	-	**15,849,587**	15,771,622
Fundraising	995,746	-	-	**995,746**	903,632
Total Supporting Services	16,845,333	-	-	**16,845,333**	16,675,254
Total Expenses	135,909,020	-	-	**135,909,020**	128,965,749
Change in Net Assets From Operations	(4,658,830)	(814,648)	73,788	**(5,399,690)**	(7,563,895)
Nonoperating Revenue (Expenses):					
Interest and dividends	1,270,069	204,412	-	**1,474,481**	997,671
Realized and unrealized (losses) gains on investments	(37,113)	-	-	**(37,113)**	3,359,037
Severance	(267,382)	-	-	**(267,382)**	-
Insurance proceeds	453,159	-	-	**453,159**	539,138
Legacies and bequests	347,144	505,854	-	**852,998**	4,373,900
Total Nonoperating Revenue	1,765,877	710,266	-	**2,476,143**	9,269,746
Change in Net Assets Before Extraordinary Items and Change In Unfunded Pension Obligation	(2,892,953)	(104,382)	73,788	**(2,923,547)**	1,705,851
Extraordinary Items:					
Loss from termination of participation in the Archdiocese pension plan	-	-	-	**-**	(18,586,011)
Gain from sale of building	-	-	-	**-**	36,416,372
Total Extraordinary Items	-	-	-	**-**	17,830,361
Change in Unfunded Pension Obligation	111,235	-	-	**111,235**	220,797
Change in Net Assets	(2,781,718)	(104,382)	73,788	**(2,812,312)**	19,757,009
Net Assets, Beginning of Year	67,213,222	7,843,993	3,885,753	**78,942,968**	59,185,959
Net Assets, End of Year	**$ 64,431,504**	**$7,739,611**	**$3,959,541**	**$ 76,130,656**	$ 78,942,968

See accompanying notes to financial statements.

The New York Foundling Hospital

Statement of Functional Expenses
(with comparative totals for 2015)

Year ended June 30,

	New York Foundling Hospital									Supporting Services			Total	
	Foster Care Residential Facilities	Foster Family Boarding Homes and Adoption	OPWDD Services	Foster Care Medicaid	Day Care	Puerto Rico Headstart	Preventive Services	Other Programs	Program Services Total	Management and General	Fundraising	Total Supporting Services	**2016**	2015
Salaries and Wages	$2,237,377	$10,295,849	$18,785,734	$4,582,257	$ 905,852	$ 6,340,046	$13,800,313	$3,055,510	$60,002,938	$ 5,438,357	$455,406	$ 5,893,763	**$ 65,896,701**	$ 60,513,604
Employee Benefits:										-	-			
Payroll taxes and mandatory fringes	314,245	973,531	2,367,944	365,983	85,018	685,252	1,273,623	376,441	6,442,037	502,611	33,863	536,474	**6,978,511**	7,590,241
Others	497,349	1,526,817	3,564,651	463,522	155,072	1,029,143	2,252,984	324,590	9,814,128	636,233	37,103	673,336	**10,487,464**	10,259,169
Total Salaries and Employee Benefits	3,048,971	12,796,197	24,718,329	5,411,762	1,145,942	8,054,441	17,326,920	3,756,541	76,259,103	6,577,201	526,372	7,103,573	**83,362,676**	78,363,014
Other Expenses:														
Transportation and workers' expenses	21,557	335,659	222,787	69	80	10,824	170,947	84,172	846,095	15,950	1,724	17,674	**863,769**	835,653
Allowances and activities - parents and children	116,693	167,910	777,808	1,672	700	13,978	315,571	165,756	1,560,088	371	-	371	**1,560,459**	1,348,214
Tuition, school expenses and camp fees	567	9,843	-	-	2,076	154,512	150	55,918	223,066	-	-	-	**223,066**	160,879
Purchase of services	390,119	1,026,286	1,361,097	1,237,888	36,117	122,043	310,555	885,854	5,369,959	1,879,817	1,064	1,880,881	**7,250,840**	6,497,255
Food	106,392	50,281	865,662	-	45,901	687,372	23,157	63,373	1,842,138	-	-	-	**1,842,138**	1,607,347
Clothing, bedding and linen	13,385	6,773	110,714	-	-	-	337	1,846	133,055	-	-	-	**133,055**	137,001
Supplies and equipment	57,684	69,190	511,705	21,516	17,541	240,713	106,177	45,342	1,069,868	89,620	1,522	91,142	**1,161,010**	1,410,175
Rent, utilities and real estate taxes	153,403	1,359,686	2,277,414	332,866	277,825	503,314	772,723	1,685,183	7,362,414	970,286	-	970,286	**8,332,700**	7,435,803
Rental of furnishing, equipment and vehicles	12,618	72,129	430,196	20,862	850	32,270	24,802	28,924	622,651	86,161	1,170	87,331	**709,982**	655,820
Repairs and equipment - plant, equipment and vehicles	82,586	156,073	662,307	56,915	9,983	500,442	415,252	186,709	2,070,267	262,795	6,086	268,881	**2,339,148**	2,110,428
Communications	31,847	225,264	279,922	38,865	11,292	58,641	287,915	63,186	996,932	123,555	6,287	129,842	**1,126,774**	1,112,430
Dues, licenses and permits	1,157	10,537	7,864	5,161	310	-	33	13,956	39,018	82,949	440	83,389	**122,407**	81,476
Office supplies	10,382	111,808	85,292	21,269	2,775	28,752	164,831	59,157	484,266	144,072	7,455	151,527	**635,793**	601,583
Administrative expenses	26,010	370,186	295,384	59,050	11,331	142,437	346,980	243,059	1,494,437	668,091	60,571	728,662	**2,223,099**	2,620,847
Professional services	-	262,604	286,755	184,212	2,161	19,428	1,390,246	727,147	2,872,553	2,541,774	-	2,541,774	**5,414,327**	5,381,240
Insurance	18,983	78,041	457,769	64,076	574	135,771	8,903	32,866	796,983	814,660	-	814,660	**1,611,643**	1,475,689
Interest and bank charges	-	237	225,541	-	-	511	-	355,962	582,251	597,473	13,823	611,296	**1,193,547**	970,540
Boarding home and clothing pass-thru	-	9,099,185	-	-	-	-	-	-	9,099,185	-	-	-	**9,099,185**	9,444,785
Boarding payment - special	-	82,243	-	-	-	-	-	42,446	124,689	-	-	-	**124,689**	70,210
Donated services	-	-	-	-	-	2,513,331	-	1,175	2,514,506	-	337,708	337,708	**2,852,214**	2,420,836
Bad debt	-	-	-	-	-	-	-	72,000	72,000	-	4,999	4,999	**76,999**	1,039,602
Depreciation and amortization	120,863	425,651	925,484	106,553	157,976	125,656	369,355	396,625	2,628,163	994,812	26,525	1,021,337	**3,649,500**	3,184,922
Total Expenses	**$4,213,217**	**$26,715,783**	**$34,502,030**	**$7,562,736**	**$1,723,434**	**$13,344,436**	**$22,034,854**	**$8,967,197**	**$119,063,687**	**$15,849,587**	**$995,746**	**$16,845,333**	**$135,909,020**	$128,965,749

See accompanying notes to financial statements.

The New York Foundling Hospital

Statement of Cash Flows
(with comparative totals for 2015)

Year ended June 30,	**2016**	2015
Cash Flows From Operating Activities:		
Change in net assets	**$ (2,812,312)**	$ 19,757,009
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**3,649,500**	3,184,922
Bad debt expense	**76,999**	1,039,602
Adjustment of discount on pledges receivable	**3,214**	(3,214)
Amortization of deferred financing costs	**108,069**	83,429
Net realized and unrealized losses (gains) on investments	**37,113**	(3,359,037)
Permanently restricted contributions	**(73,788)**	(19,000)
Loss from termination of participation in the Archdiocese pension plan	**-**	18,586,011
Gain from sale of building	**-**	(36,416,372)
Change in unfunded pension obligation	**(111,235)**	(220,797)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts and grants receivable	**691,637**	3,131,364
Bequest receivable	**4,152,785**	(4,152,785)
Prepaid expenses, deposits and other assets	**693,787**	(364,551)
Due to/from affiliates	**-**	(489,474)
Deferred financing costs	**-**	(534,867)
Assets limited as to use	**(44,140)**	(26,106)
Increase (decrease) in:		
Accounts payable and accrued expenses	**(3,691,741)**	3,187,911
Accrued pension obligation	**(986,471)**	-
Deferred revenue	**972,101**	2,399,769
Net Cash Provided By Operating Activities	**2,665,518**	5,783,814
Cash Flows From Investing Activities:		
Sales of property	**-**	43,059,769
Cash held in escrow	**4,500,000**	(4,500,000)
Change in short-term investments	**565,944**	72,184
Purchases of investments	**(9,531,118)**	(29,596,438)
Proceeds from sale of investments	**8,964,236**	3,537,646
Purchases of fixed assets	**(10,768,172)**	(5,360,525)
Net Cash (Used In) Provided By Investing Activities	**(6,269,110)**	7,212,636
Cash Flows From Financing Activities:		
Permanently restricted contributions	**73,788**	19,000
Payment made to terminate participation in the Archdiocese pension plan	**-**	(18,586,011)
Principal payments of mortgages payable	**(264,711)**	(256,135)
Principal payment of bonds	**(513,604)**	(496,172)
Proceeds from loans payable	**-**	15,000,000
Principal payments of loans payable	**(1,900,000)**	(991,667)
Net Cash Used In Financing Activities	**(2,604,527)**	(5,310,985)
Net (Decrease) Increase in Cash and Cash Equivalents	**(6,208,119)**	7,685,465
Cash and Cash Equivalents, Beginning of Year	**15,390,677**	7,705,212
Cash and Cash Equivalents, End of Year	**$ 9,182,558**	$ 15,390,677
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 968,160**	$ 872,314

See accompanying notes to financial statements.

1. Nature of the Organization

The New York Foundling Hospital (the "Foundling") is a voluntary not-for-profit multifunctional social services agency serving the New York City metropolitan area and Puerto Rico. It is an agency providing the following services: nursery care on an emergency basis to abandoned and neglected children regardless of creed or color; casework services to families requesting placement of children; placement and supervision of children in boarding and adoption homes; after-care supervision of children discharged from foster care; and shelter care and casework services to unmarried mothers.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The financial statements of the Foundling have been prepared on the accrual basis. In the statement of financial position, assets and liabilities are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

(b) Financial Statement Presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor imposed restrictions. It requires that the amounts for each of these three classes of net assets, permanently restricted, temporarily restricted, and unrestricted, be displayed in a statement of financial position and that the amounts of change in each of those classes of net assets be displayed in a statement of activities.

These classes are defined as follows:

(i) **Permanently restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Foundling is limited by donor imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Foundling.

(ii) **Temporarily restricted** – Net assets resulting from contributions and other inflows of assets whose use by the Foundling is limited by donor imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Foundling pursuant to the stipulations. When such stipulations end or are fulfilled, such temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities.

(iii) **Unrestricted -** The part of net assets that is neither permanently nor temporarily restricted by donor imposed stipulations.

(c) Cash and Cash Equivalents

The Foundling considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

(d) Accounts Receivable

Accounts receivable are recorded at the reimbursable or contracted amount and do not bear interest. Periodically, the receivables are reviewed and evaluated as to their collectability. A receivable balance is considered past due once it has not been received by its scheduled due date. If necessary, an allowance for doubtful accounts is recorded based on these evaluations. At June 30, 2016, $1,140,129 was recorded as an allowance for doubtful accounts.

(e) Consumer Funds

Consumer funds consist of cash deposits held by the Foundling on behalf of their residents for the residents' personal use.

(f) Fair Value Measurements

Accounting Standards Codification ("ASC") 820, "Fair Value Measurement", establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs, requiring that inputs that are most observable be used when available. Observable inputs are inputs that market participants operating within the same marketplace as the Foundling would use in pricing the Foundling's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that can not be sourced from a broad active market in which assets or liabilities identical or similar to those of the Foundling is traded. The Foundling estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants that have investments in the same or similar assets would use as determined by the money managers administering each investment based on best information available in the circumstances. The input hierarchy is broken down into three levels based on the degree to which the exit price is independently observable or determinable as follows:

Level 1 – Valuation based on quoted market prices in active markets for identical assets or liabilities. Since valuations are based on quoted market prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 - Observable inputs other than quoted prices included in Level 1 that are observable for the asset or liability through corroboration with market data at the measurement date.

Level 3 – Valuation based on inputs that are unobservable and reflect management's best estimate of what market participants would use as fair value.

(g) Investments at Fair Value

Investments consist of short-term investments, corporate and foreign equities, publicly-traded mutual funds and investments in limited partnerships. Short-term investments are valued at cost which approximates fair value. Investments in corporate and foreign equities are carried at fair value based upon quoted market prices. Publicly traded mutual funds are stated at fair value based upon quoted market prices, which represent the net asset values ("NAV") held by the Foundling at year-end.

The Foundling's investments in limited partnerships have no readily determined market value and are valued at fair value as estimated by the general partners. Because of the inherent uncertainty of valuation, it is reasonably possible that estimated values may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. In addition, certain investments may also have risk associated with its concentrations of investments in one geographic region and in certain industries. The limited partnership's ability to liquidate certain of its investments may be inhibited since the issuers may be privately held or the limited partnership may own a relatively large portion of the issuers' equity securities.

(h) Provision for Doubtful Accounts

The Foundling provides an allowance for doubtful accounts for accounts receivable which is the Foundling's best estimate of the amount of probable credit losses in the Foundling's existing accounts receivable. Such estimate is based on management's assessments of the creditworthiness of its donors and funding sources and the aged basis of its receivables, as well as current economic conditions and historical information.

(i) Contributions, Bequests, Promises to Give and In-Kind Contributions

Contributions and promises to give are recorded as revenue when either unsolicited cash is received or when donors make an unconditional promise to give. Contributions and promises to give are classified as either unrestricted, temporarily restricted or permanently restricted support.

Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at present value of estimated future cash flows. Conditional promises to give are not included as support until such time as the conditions are substantially met. Securities and tangible property received as a gift or bequest are reflected at fair value at the date of the gift. The Foundling uses the allowance method to determine uncollectible unconditional pledge receivables.

In-kind contributions are reported in the financial statements for voluntary donations of services if those services create or enhance non-financial assets or require specialized skills provided by individuals possessing those skills and would typically be purchased if not provided by the donation. In-kind contributions recorded on June 30, 2016 of $2,852,214 consist of personnel services, donated space and other goods and services which were used to support the Puerto Rico HeadStart program.

(j) Assets Limited as to Use

Assets limited as to use include assets held by the trustees under bond indenture agreements and assets held as part of a non-qualified deferred compensation plan for a key executive.

(k) Deferred Financing Costs

Deferred financing costs represent costs incurred to obtain financing. These costs will be amortized over the term of indebtedness using the straight-line method.

(l) Fixed Assets

Fixed assets are carried at cost, less accumulated depreciation or, if donated, at fair market value at date of the gift. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets. Depreciation is computed using the straight-line method over the estimated useful lives of the assets.

Buildings and improvements	10-30 years
Furniture and signs, equipment and education center exhibit	3-10 years

(m) Impairment of Long-Lived Assets

The Foundling reviews long-lived assets, including property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of an asset may not be fully recoverable. An impairment loss would be recognized when the estimated future cash flows from the use of the asset are less than the carrying amount of that asset. As of June 30, 2016, there have been no such losses.

(n) Third-Party Reimbursements and Revenue Recognition

The Foundling receives substantially all of their revenue for services provided from governmental agencies, including the Office for People with Developmental Disabilities ("OPWDD"), New York City Administration for Children Services ("ACS") and Medicaid. These revenues are based on predetermined rates based on cost reimbursement principles and are subject to audit and retroactive adjustment by the respective third-party fiscal intermediary.

Revenue is recognized as earned from third parties and when received or pledged for contributions, special events and fundraising activities.

Grant revenue is recognized in amounts equal to expenses incurred by the Foundling in administering the related program. Upon termination, the unexpended cash funds received under the terms of the grant provisions revert to the grantor.

The fiscal years ended June 30, 2013 through June 30, 2016 remain subject to audit by ACS.

(o) Permanently Restricted Donor Fund

The Foundling's permanently restricted donor fund (the "Donor Fund") consists of investments that are permanently restricted. The Foundling follows the requirements of the New York Prudent Management of Institutional Funds Act ("NYPMIFA") as they relate to their permanently restricted contributions and net assets, effective upon New York State's enactment of the legislation in September 2010.

The following applies to the Donor Fund:

Interpretation of Relevant Law

The Investment Committee of the Board of Directors of the Foundling has interpreted NYPMIFA as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted funds absent explicit donor stipulations to the contrary. As a result of the interpretation, the Foundling classifies as permanently restricted net assets (a) the original value of the gifts donated to the Donor Fund, (b) the original value of subsequent gifts to the Donor Fund and (c) accumulations to the Donor Fund made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the Donor Fund. The investment income earned on the accumulations to the Donor Fund is classified based on donor stipulations as either unrestricted or temporarily restricted net assets.

Investment and Spending Policies

The Foundling has adopted investment and spending policies for permanently restricted net assets that attempt to provide a stream of returns that would be utilized to fund various programs while seeking to maintain the purchasing power of the Donor Fund. Permanently restricted net assets include those assets of donor-restricted funds that the Foundling must hold in perpetuity. The Foundling's long-term strategy is to target diversified asset allocation that includes cash and cash equivalents, short-term investments, publicly-traded mutual funds and alternative investments which produce results that exceed key indexes and benchmarks currently available for similar asset classes. However, within the alternative investment category, the Foundling is mindful of each investment manager's strategies and the liquidity of each manager's investment portfolio.

The Foundling considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- the duration and preservation of the funds;
- availability of other funding sources;
- general economic conditions;
- the possible effect of inflation and deflation;
- the expected total return from income and the appreciation/depreciation of investments.
- purposes of donor-restricted fund; and
- the investment and spending policies of the Foundling's Donor Fund's investment returns distribution policy, which mandates appropriations of donor-restricted assets to be deemed prudent by the Investment Committee of the Board of Directors of the Foundling.

(p) Income Taxes

The Foundling is exempt from Federal income tax and private foundation excise tax pursuant to a group exemption issued to the Roman Catholic Church in the United States. In addition, the Foundling has not taken an unsubstantiated tax position that would require provision of a liability under ASC 740, "Income Taxes". Under ASC 740, an organization must de-recognize the tax benefit associated with tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained. The Foundling does not believe there are any material uncertain tax positions and, accordingly, have not recognized any liability for unrecognized tax benefits. The Foundling has filed Internal Revenue Service ("IRS") Form 990, as required, and all other applicable returns in jurisdictions when it is required. For the year ended June 30, 2016, there was no interest or penalties recorded or included in the financial statements.

(q) Functional Allocation Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain administrative costs have been allocated among the programs and supporting services based on benefits received.

(r) Concentration of Credit Risk

Financial instruments which potentially subject the Foundling to concentration of credit risk consist primarily of cash and cash equivalents. At times, the Foundling has cash deposits at reputable financial institutions in good standing that exceed the Federal Depository Insurance Corporation insurance limit.

(s) Comparative Financial Information

The financial statements include certain prior year summarized comparative information. With respect to the statement of activities, the prior year information is presented in total, not by net asset class. With respect to the statement of functional expenses, the prior year expenses are presented by expense classification in total rather than functional category. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Foundling's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

(t) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(u) Reclassifications

Certain prior year balances have been reclassified to conform with the current year financial statement presentation.

(v) Accounting Pronouncements Issued But Not Yet Adopted

Revenue From Contracts With Customers

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)," which is a comprehensive new revenue recognition standard that will supersede existing revenue recognition guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The FASB issued ASU 2015-14 which deferred the effective date for the Foundling until annual periods beginning after December 15, 2018. Earlier adoption is permitted subject to certain limitations. The amendments in this update are required to be applied retrospectively to each prior reporting period presented or with the cumulative effect being recognized at the date of initial application. Management is currently evaluating the impact of this ASU on its financial statements.

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)," to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements for lessees and lessors. The new standard applies a right-of-use ("ROU") model that requires, for all leases with a lease term of more than 12 months, an asset representing its ROU the underlying asset for the lease term and a liability to make lease payments to be recorded. The ASU is effective for the Foundling's fiscal years beginning after December 15, 2019, with early adoption permitted. Management is currently evaluating the impact of this ASU on its financial statements.

Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." ASU 2015-03 requires that debt issuance costs be presented as a direct deduction from the carrying amount of the related debt liability, consistent with the presentation of debt discounts. Prior to the issuance of ASU 2015-03, debt issuance costs were required to be presented as deferred charge assets, separate from the related debt liability. Early adoption is permitted.

Presentation of Financial Statements of Not-for-Profit Entities

In August 2016, the FASB issued ASU 2016-14 to improve the presentation of financial statements of not-for-profit entities. ASU 2016-14 impacts all not-for-profit entities in the scope of Topic 958, as well as health care entities subject to the nonprofit guidance in Topic 954. This is the first major change to the nonprofit financial statement model in over 20 years, which is intended to provide more useful information to donors, grantors, and other users. The ASU becomes effective for fiscal years beginning after December 15, 2017. The Foundling is currently evaluating the impact of the adoption of ASU 2016-14.

3. Financial Instruments and Fair Value

The fair value and cost of investments at June 30, 2016 consisted of the following:

	Cost	Fair Value
Corporate and foreign equities	$ 5,275,316	$ 5,588,879
Publicly-traded mutual funds	11,767,962	11,342,081
Limited partnerships	25,845,308	37,761,885
Total investments	$42,888,586	$54,692,845

The Foundling's holdings in corporate and foreign equities consist principally of debt and equity securities carried at the aggregate market value that is determined by quoted market prices. Each of these investments can be liquidated daily and valuation is based on Level 1 inputs within the hierarchy used in measuring fair value. Publicly-traded mutual funds are valued at the NAV of shares held by the Foundling. The mutual funds are traded at quoted prices through the National Securities Clearing Corporation and can be redeemed on a daily basis. Management believes the most appropriate classification for these investments is Level 1.

Alternative investments are those made in limited partnerships, offshore limited liability companies and private equity concerns, all of which are valued based on Level 3 inputs within the investment hierarchy used in measuring fair value. Given the absence of market quotations, their fair value is estimated using information provided to the Foundling by the investment managers and general partners. The values are based on estimates that require varying degrees of judgment and, for fund of funds investments, are primarily based on financial data supplied by the investment managers of the underlying funds. Individual investment holdings within the alternative investments may include investments in both nonmarketable and market traded securities. Nonmarketable securities may include equity in private companies, real estate, thinly traded securities and other investment vehicles. The investments may indirectly expose the Foundling to the effects of securities lending, short sales of securities and trading in futures and forward contracts, options, swap contracts and other derivative products. While these financial statements contain varying degrees of risk, the Foundling's exposure with respect to each such investment is limited to the amount of the Foundling's investment in each of the respective funds. The financial statements of the investees are audited annually by nationally recognized firms of independent auditors. The Foundling does not directly invest in the underlying securities of the investment funds and, due to restrictions on transferability and timing of withdrawals from the limited partnerships, the amount ultimately realized upon liquidation could differ from reported values that are based on current conditions.

Redemptions of the Foundling's investments in these investment entities vary, but are primarily available at month-end, quarter-end or year-end with appropriate notice. Management fees and incentive fees are charged by these investment entities at an annual rate ranging from .08% to 2% plus an incentive allocation, usually 20% of profits.

Below sets forth a table of assets measured at fair value as of June 30, 2016:

	Fair Value Measurement at Reporting Date Using			
Description	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)	Balance as of June 30, 2016
Corporate and foreign equities	$ 5,588,879	$-	$ -	$ 5,588,879
Publicly-traded mutual funds:				
Intermediate term bond funds	9,561,322	-	-	9,561,322
Emerging markets stock fund	1,780,759			1,780,759
Limited partnerships:				
Pharmaceutical	-	-	9,374,279	9,374,279
Hedge fund	-	-	18,561,436	18,561,436
Private equity	-	-	4,778,261	4,778,261
High grade corporate debt	-	-	1,179,819	1,179,819
International equity	-	-	3,868,090	3,868,090
Total	$16,930,960	$-	$37,761,885	$54,692,845

The following table sets forth changes in the assets measured at fair value using Level 3 inputs on a recurring basis for the year ended June 30, 2016:

Description	Balance at July 1, 2015	Purchases	Sales	Investment Income	Realized Gain	Unrealized Loss	Balance at June 30, 2016
Limited partnerships	$36,915,475	$2,566,242	$(1,733,659)	$11,568	$130,967	(128,708)	$37,761,885

Investments for which fair value is estimated using report NAV, or the equivalent, are summarized as follows as of June 30, 2016:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships:				
Pharmaceutical	$ 9,374,279	$ -	N/A	N/A
Hedge fund	18,561,436	850,000	Quarterly	45 days prior
Private equity (a)	4,778,261	1,074,257	N/A	N/A
High grade corporate debt	1,179,819	986,000	N/A	N/A
International equity	3,868,090	-	Monthly	30 days prior written notice
Total	$37,761,885	$2,910,257		

(a) Redemption not permitted, distributions require liquidation of underlying assets.

4. Assets Limited As to Use

Assets limited as to use at June 30, 2016 are as follows:

Debt service reserve fund	$ 296,857
Gift annuity	45,579
Deferred compensation investments	516,877
	859,313
Less: Current portion	(125,677)
	$ 733,636

Assets limited as to use consist of short-term investments and U.S. Treasury notes.

5. Fixed Assets, Net

Fixed assets, net, consist of the following:

June 30, 2016	
Land	$ 42,687
Buildings and improvements	33,581,131
Equipment, furniture and signs	21,162,076
Leasehold improvements	32,195,457
Total fixed assets	86,981,351
Less: Accumulated depreciation and amortization	(36,792,465)
Construction-in-progress	837,714
Fixed assets, net	$ 51,026,600

The estimated cost to complete construction-in-progress is $1,800,000.

6. Loans Payable

(a) On June 20, 2014, the Foundling entered into a loan agreement in the amount of $10,000,000 with a financial institution to finance capital projects. Principal payments are to be paid in monthly installments of $33,333, which are due on the first business day of each month through July 1, 2039, the maturity date. Interest is payable on a monthly basis at the London Interbank Offered Rate ("LIBOR") plus 155 basis points which was 2.01% at June 30, 2016.

Future principal payments are as follows:

Year ending June 30	
2017	$ 400,000
2018	400,000
2019	400,000
2020	400,000
2021	400,000
Thereafter	7,233,333
Total	$9,233,333

(b) On December 18, 2014, the Foundling entered into a loan agreement in the amount of $15,000,000 with a financial institution to finance the termination costs of the Archdiocese Defined Benefit Plan. Principal payments are to be paid in monthly installments of $125,000, which are due on the first business day of each month through December 2024, the maturity date. Interest is payable on a monthly basis at LIBOR plus 165 basis points, which was 2.11% at June 30, 2016.

Future principal payments are as follows:

Year ending June 30,	
2017	$ 1,500,000
2018	1,500,000
2019	1,500,000
2020	1,500,000
2021	1,500,000
Thereafter	5,375,000
Total	$12,875,000

7. Mortgages Payable

Facilities held under mortgage and the corresponding outstanding balances due on each note consist of the following as of June 30, 2016:

Year ended June 30, 2016		
(a)	Pelham Manor	$ 194,170
(b)	Laconia Avenue	129,675
	153 Stephens Avenue	93,368
	155 Stephens Avenue	94,824
(c)	91 East 208th Street	51,637
(d)	34 Beechmont Drive	836,409
(e)	2 Sylvia Lane	717,423
		2,117,506
Less:	Current portion of mortgages payable	(271,826)
		$1,845,680

(a) On April 15, 1997, the Foundling entered into a mortgage with a financial institution to finance the operation of an intermediate care facility for developmentally disabled individuals. The principal amount shall bear interest at the rate of 5.9% per annum and shall be payable by the Foundling through OPWDD to Facility Development Corporation in semi-annual debt service and administrative fee payments ranging from $16,418 to $26,458 until August 2021. The mortgage is secured by the building located on Shoreview Circle in Pelham Manor, New York.

(b) On June 26, 2007, the Foundling entered into three mortgage agreements with a financial institution to finance the operation of community residential centers. Principal payments which range from $2,523 to $3,325 are due on the first business day of each month with maturities through September 2019. Interest is payable on a monthly basis and the interest rate was 3% at June 30, 2016. The mortgages are secured by the related properties in the Bronx, New York.

(c) On September 13, 2007, the Foundling entered into a mortgage agreement with a financial institution to finance the operation of a community residential center. Principal payments are to be paid in monthly installments of $1,844, which are due on the first business day of each month through November 2018, the maturity date. Interest is payable on a monthly basis at prime plus .5%, which was 3% at June 30, 2016. The mortgage is secured by the property located in the Bronx, New York.

(d) On December 5, 2012, the Foundling entered into a mortgage agreement with a financial institution to finance the operation of a community residential center. Principal payments are to be paid in monthly installments of $7,350, which are due on the first business day of each month through December 3, 2027, the maturity date. Interest is payable on a monthly basis at a rate of 3.65% per annum. The mortgage is secured by the property located at 34 Beechmont Drive, New Rochelle, New York.

(e) On December 5, 2012, the Foundling entered into a mortgage agreement with a financial institution to finance the operation of a community residential center. Principal and interest payments are to be paid in monthly installments of $6,327, which are due on the first business day of each month through December 3, 2027, the maturity date. Interest is payable on a monthly basis at a rate of 3.65% per annum. The mortgage is secured by the property located at 2 Sylvia Lane.

Future principal payments are as follows:

Year ending June 30,	
2017	$ 271,826
2018	278,269
2019	285,113
2020	169,377
2021	147,406
Thereafter	965,515
Total	$2,117,506

8. Bonds Payable

(a)	Rockland County Economic Assistance Corporation ("RCEAC") revenue bonds maturing every 1st of the month starting in August 2012 through 2027, bearing interest rates at 3% computed on the basis of 360 days	$5,000,000

Proceeds from these bonds have been made available to the Foundling to pay off the outstanding debt due to a financial institution. The bonds were issued and sold by RCEAC. Pursuant to the indentures of trust for the bonds, payment of principal and interest to the bondholders is solely the obligation of the Foundling; RCEAC is not obligated for repayment of the bonds. The bonds are secured by the individual properties of the intermediate care facilities and community residence in Rockland County, New York.

The following table sets forth the scheduled annual principal and interest payments to be made on long-term debt during each of the next five years and all the years thereafter:

Year ending June 30,

	Payments	
	Principal	Interest
2017	$ 375,009	$103,910
2018	386,772	92,498
2019	398,907	80,728
2020	411,421	68,589
2021	424,329	56,069
Thereafter	1,638,894	102,469
Total	$3,635,332	$504,263

	Series	Principal
(b)	Residential Institutions for Children Revenue Bonds, Series 2008A-1 (various rates ranging from 3.5% to 5%, due June 1, 2038)	$7,155,000
	Residential Institutions for Children Revenue Bonds, Series 2008A-2 (coupon rate of 5%, due June 1, 2016)	35,000

On June 17, 2008, the Foundling obtained financing of $7,190,000 of revenue bonds through the Dormitory Authority of the State of New York ("DASNY") to finance the construction and renovation of a community residential center in Staten Island, New York.

The bonds are secured by the real estate located in Staten Island, New York. At June 30, 2016, $6,385,000 of the Series 2008A-1 bonds remains outstanding.

Unamortized premium costs relating to the issuance of the bonds were $80,860 at June 30, 2016. The unamortized premium costs are amortized over the term of indebtedness of the total amount issued and included in bonds payable on the statement of financial position.

The following tables set forth the scheduled annual principal and interest payments to be made on the bonds during each of the next five years and all the years thereafter:

Year ending June 30,	Payments	
	Principal	Interest
2017	$ 160,000	$ 313,256
2018	165,000	305,256
2019	175,000	297,006
2020	185,000	288,256
2021	195,000	279,006
Thereafter	5,505,000	2,795,914
Total	$6,385,000	$4,278,694

The Foundling is required to comply with certain covenants under its debt agreements. All such covenants were complied with or waived by the debt holder.

9. Letter of Credit/Line of Credit

In September 2013, a financial institution issued a letter of credit in the amount of $1,600,000 in favor of the landlord of a program facility located in Long Island City, Queens, New York. This letter of credit was issued in lieu of a security deposit and will renew annually until July 2019. This letter of credit is unsecured though it is additionally guaranteed by The New Foundling Charitable Corporation (the “Charitable Corporation”) an agency sponsored by the Sisters of Charity. As of June 30, 2016, there was no outstanding balance.

In June 2014, the Foundling obtained a $5,000,000 line of credit from a financial institution. This line of credit is unsecured though it is guaranteed by the Charitable Corporation. As of June 30, 2016, there was no outstanding balance.

10. Pension Plans

(a) Archdiocesan Pension Plan

The Foundling participated in the pension plan of the Archdiocese of New York (the “Plan”). This multi-employer plan is limited to eligible non-union employees meeting the age and years of service requirements of the Plan. Participating employers are required to make annual contributions to the Plan based on a percentage of annual salary, subject to the Plan’s limitations.

The Foundling terminated its participation effective December 31, 2014. As a result of terminating its participation in the Plan, the Foundling made a final payment to the Plan at the effective date in the amount of $14,289,684, representative of the portion of the Plan’s underfunded amount due and payable by the Foundling.

Benefits to the Foundling employees who participated in the Plan were frozen at the time that the Foundling terminated its participants.

(b) Employee Retirement Benefits

The Foundling has established a defined contribution plan for its employees on January 1, 2015. Employees become eligible to participate as of their date of hire and may elect to contribute up to the statutory limit allowed. The Foundling matches all employee contributions up to 2% of participating employees' compensation. In addition, the Foundling makes direct contribution ranging from 2% - 4%, depending on number of years of service.

(c) Religious Pension Plan

The Foundling also participates in a defined benefit pension plan ("defined benefit plan") administered by a life insurance company. The Foundling has recorded an unfunded pension obligation of $150,922 at June 30, 2016. This amount represents the excess of the projected benefit obligation over the fair value of the plan assets, adjusted for previously recorded pension cost liabilities. The Foundling recorded an increase to unrestricted net assets of $111,235 for the year ended June 30, 2016 in the accompanying statement of activities resulting from changes in the unfunded pension liability.

11. Transactions With Affiliates

New York Foundling Charitable Corporation

The Foundling has a lease with the Charitable Corporation. As of July 1, 2014, a new 15-year lease agreement was in effect for its facilities at 590 Avenue of the Americas located in New York, New York. The rent charged for these facilities was $487,075 for the year ended June 30, 2016.

In December 2009, the Foundling entered into an agreement with the Charitable Corporation to lease the property at 170 Brown Place located in the Bronx, New York. The lease agreement became effective at the time the Foundling took occupancy of the building which was August 31, 2010 and is to last for a period of ten years. Total rent paid by the Foundling to the Charitable Corporation for the year ended June 30, 2016 was $1,060,252, which was based on the actual interest expense paid to the bondholders, depreciation expense and amortization of the deferred financing costs. In addition, the Foundling is responsible to pay for all property taxes, utilities and any other costs to operate the building.

The Foundling charges the Charitable Corporation for accounting service fees. Total fees charged for the year ended June 30, 2016 was $60,680.

12. Net Assets Released From Restrictions

Temporarily restricted net assets were released from donor restrictions by incurring expenses for the following specific programs or purposes:

June 30, 2016	
Head Start	$ 76,540
Alternatives for Families - Cognitive Behavioral Therapy	49,991
Mulitsystemic Therapy – Psychiatric Adaptions	931,224
Foster Care Deaf Services	547,190
NY Center for Juvenile Justice	367,841
Mott Haven Academy Charter School	57,552
Summer Camp	190,692
Foster Youth Educational Support	613,886
Other	806,259
	$3,641,175

13. Temporarily Restricted Net Assets

Temporarily restricted net assets are available for the following programs or purposes:

June 30, 2016	
Head Start	$ 808,445
Multisystemic Therapy - Psychiatric Adaptation	589,654
Foster Care Deaf Service	3,864,552
NY Center for Juvenile Justice	865,771
Summer Camp	30,020
Training	414,082
Foster Youth Educational Support	592,258
Other programs	574,829
	$7,739,611

14. Permanently Restricted Donor Funds

For the year ended June 30, 2016, all assets included in the Foundling’s permanently restricted Donor Fund are as follows:

June 30, 2016	
Cash and cash equivalents	$ 60,795
Short-term investments	419,288
Publicly-traded mutual funds	850,904
Limited partnerships	2,832,966
	$4,163,953

The following table provides a reconciliation of beginning and ending balances as of June 30, 2016:

June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Permanently restricted net assets as of July 1, 2016	$ -	$ -	$3,885,753	$3,885,753
Contributions	-		73,788	73,788
Investment income	-	204,412	-	204,412
Appropriations to unrestricted net assets	204,412	(204,412)	-	-
Permanently restricted net assets as of June 30, 2016	$204,412	$ -	$3,959,541	$4,163,953

Permanently restricted net assets consist of the following at June 30, 2016:

June 30, 2016

Alice Ward Kelly Fund	$1,050,232
James Donohue Fund	268,742
William Fries Fund	10,000
Emily M. Moos Fund	251,487
Other funds	217,288
General operating support – Altman Foundation	1,961,792
Nursing training program purposes – Heart Foundation	200,000
	$3,959,541

15. Commitments and Contingencies

(a) Operating Leases

The Foundling has operating lease agreements for office space, housing and equipment. Future annual minimum lease payments due under noncancellable leases as of June 30, 2016 are as follows:

June 30,

2017	$ 4,855,683
2018	3,986,581
2019	3,101,667
2020	2,946,956
2021	2,958,879
Thereafter	10,555,311
	$28,405,077

Rental expense for the Foundling for June 30, 2016 was $6,903,057.

(b) Litigation

The Foundling is involved in various claims and legal actions arising in the ordinary course of business. Management believes that open claims will be covered by insurance policies in force. For those claims not covered by insurance, management has recorded an estimated liability it believes is sufficient to cover any possible loss.

The government-funded programs are generally subject to audit and, therefore, the final operating reimbursement rate to be realized for each program may not be determinable until years after the Foundling has rendered related services. Government funding is based upon allowable costs; any underspending is returnable to the governmental funding agency. The Foundling reflects an estimated amount in its financial statements for underspent interim rates which also includes an amount for possible audit disallowances based upon allowable costs.

16. Subsequent Events

The Foundling's management has performed subsequent events procedures through November 28, 2016, which is the date the financial statements were available to be issued, and there were no subsequent events requiring adjustment of the financial statements or disclosures as stated herein.