The New York Foundling Hospital

Financial Statements
Year Ended June 30, 2015

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, 2015

The New York Foundling Hospital

Contents

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Independent Auditor's Report

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, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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 Foundling'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 Foundling'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, 2015, and the changes in their net assets and their 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 2014 combining financial statements of The New York Foundling Hospital and Affiliate and our report, dated December 1, 2014, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

BDO USA, LLP

December 1, 2015

The New York Foundling Hospital

Statement of Financial Position
(with comparative totals for 2014)

June 30,	**2015**	2014
Assets		
Current:		
Cash and cash equivalents	**$ 15,390,677**	$ 7,705,212
Cash held in escrow (Note 6)	**4,500,000**	-
Investments at fair value (Note 3)	**54,729,020**	28,383,375
Accounts and grants receivable, net of allowance of $2,387,940 and $2,132,088 for 2015 and 2014, respectively	**14,737,265**	18,908,231
Bequest receivable (Note 2)	**4,152,785**	-
Pledges receivable – net of allowance for uncollectible pledges and discounts of $357 and $3,571 for 2015 and 2014, respectively (Note 4)	**79,999**	296,666
Prepaid expenses, deposits and other assets	**1,973,313**	1,324,595
Consumer funds	**231,166**	235,055
Assets limited as to use (Note 5)	**124,726**	123,966
Total Current Assets	**95,918,951**	53,977,100
Pledges Receivable, Less Current Portion (Note 4)	**7,143**	71,429
Deferred Financing Costs	**1,171,793**	720,355
Assets Limited as to Use, Net of Current Portion (Note 5)	**690,447**	665,101
Fixed Assets, Net (Note 6)	**43,907,928**	48,375,722
	$141,696,262	$103,809,707
Liabilities and Net Assets		
Liabilities:		
Current:		
Accounts payable and accrued expenses	**$ 19,529,374**	$ 16,341,463
Consumer funds	**231,166**	235,055
Due to affiliates (Note 13)	**-**	489,474
Deferred revenue	**5,725,251**	3,325,482
Current portion of loans payable (Note 7)	**1,900,000**	366,667
Current portion of mortgages payable (Note 8)	**265,904**	259,997
Current portion of bonds payable (Note 9)	**513,604**	492,547
Total Current Liabilities	**28,165,299**	21,510,685
Accrued Pension Obligation (Note 11)	**262,157**	482,954
Loan Payable, Less Current Portion (Note 7)	**22,108,333**	9,633,333
Mortgages Payable, Less Current Portion (Note 8)	**2,116,313**	2,378,355
Bonds Payable, Less Current Portion (Note 9)	**10,101,192**	10,618,421
Total Liabilities	**62,753,294**	44,623,748
Commitments and Contingencies (Notes 7, 8, 9, 10, 11 and 16)		
Net Assets:		
Unrestricted	**67,213,222**	50,605,623
Temporarily restricted (Note 14)	**7,843,993**	4,713,583
Permanently restricted (Note 15)	**3,885,753**	3,866,753
Total Net Assets	**78,942,968**	59,185,959
	$141,696,262	$103,809,707

See accompanying notes to financial statements.

The New York Foundling Hospital

Statement of Activities
(with comparative totals for 2014)

Year ended June 30,

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total 2015	Total 2014
Program Revenue:					
Government and other grants and contracts	$111,388,387	$ -	$ -	**$111,388,387**	$102,560,688
Contributions	2,018,162	2,065,442	19,000	**4,102,604**	5,290,459
Rental loss, net of rental expenses of $393,792 in 2014	-	-	-	**-**	(43,816)
Other program revenue	3,490,027	-	-	**3,490,027**	3,329,510
In-kind contributions	2,420,836	-	-	**2,420,836**	2,567,345
Net assets released from restrictions (Note 13)	3,179,470	(3,179,470)	-	**-**	-
Total Program Revenue	122,496,882	(1,114,028)	19,000	**121,401,854**	113,704,186
Program Expenses:					
Program services:					
Foster care residential facilities	4,003,031	-	-	**4,003,031**	5,041,487
Foster family boarding homes and adoption	26,936,910	-	-	**26,936,910**	26,600,921
OPWDD services	27,938,402	-	-	**27,938,402**	24,856,895
Medicaid	6,911,413	-	-	**6,911,413**	6,429,741
Day care	1,696,351	-	-	**1,696,351**	1,589,627
Puerto Rico Headstart	13,300,057	-	-	**13,300,057**	12,154,874
Preventive services	22,546,970	-	-	**22,546,970**	22,319,429
Other programs	8,957,361	-	-	**8,957,361**	5,271,090
Total Program Services	112,290,495	-	-	**112,290,495**	104,264,064
Supporting services:					
Management and general	15,771,622	-	-	**15,771,622**	13,267,994
Fundraising	903,632	-	-	**903,632**	801,399
Total Supporting Services	16,675,254	-	-	**16,675,254**	14,069,393
Total Expenses	128,965,749	-	-	**128,965,749**	118,333,457
Change in Net Assets From Operations	(6,468,867)	(1,114,028)	19,000	**(7,563,895)**	(4,629,271)
Nonoperating Revenue:					
Interest and dividends	906,018	91,653	-	**997,671**	547,718
Realized and unrealized gains on investments	3,359,037	-	-	**3,359,037**	2,490,739
Insurance proceeds	539,138	-	-	**539,138**	-
Legacies and bequests	221,115	4,152,785	-	**4,373,900**	786,200
Total Nonoperating Revenue	5,025,308	4,244,438	-	**9,269,746**	3,824,657
Change in Net Assets Before Extraordinary Items and Change In Unfunded Pension Obligation	(1,443,559)	3,130,410	19,000	**1,705,851**	(804,614)
Extraordinary Items:					
Loss from termination of participation in the Archdiocese pension plan (Note 6)	(18,586,011)	-	-	**(18,586,011)**	-
Gain from sale of building	36,416,372	-	-	**36,416,372**	-
Total Extraordinary Items	17,830,361	-	-	**17,830,361**	-
Change in Unfunded Pension Obligation	220,797	-	-	**220,797**	69,194
Change in Net Assets	16,607,599	3,130,410	19,000	**19,757,009**	(735,420)
Net Assets, Beginning of Year	50,605,623	4,713,583	3,866,753	**59,185,959**	59,921,379
Net Assets, End of Year	**$ 67,213,222**	**$ 7,843,993**	**$3,885,753**	**$ 78,942,968**	$ 59,185,959

See accompanying notes to financial statements.

The New York Foundling Hospital

Statement of Functional Expenses
(with comparative totals for 2014)

Year ended June 30,

	New York Foundling Hospital									Supporting Services			Total	
	Foster Care Residential Facilities	Foster Family Boarding Homes and Adoption	OPWDD Services	Medicaid	Day Care	Puerto Rico Headstart	Preventive Services	Other Programs	Total	Management and General	Fundraising	Total Supporting Services	**2015**	2014
Salaries and Wages	$2,197,652	$ 9,889,315	$15,345,033	$3,869,601	$ 879,000	$ 6,328,396	$13,786,020	$2,843,101	$ 55,138,118	$ 4,936,950	$ 438,536	$ 5,375,486	**$ 60,513,604**	$ 56,840,681
Employee Benefits:										-	-			
Payroll taxes and mandatory fringes	414,430	1,108,365	1,986,271	455,112	102,261	823,035	1,717,684	353,533	6,960,691	579,222	50,328	629,550	**7,590,241**	5,774,535
Others	363,572	1,784,060	2,878,419	598,637	138,087	982,616	2,147,467	454,705	9,347,563	843,328	68,278	911,606	**10,259,169**	10,096,524
Total Salaries and Employee Benefits	2,975,654	12,781,740	20,209,723	4,923,350	1,119,348	8,134,047	17,651,171	3,651,339	71,446,372	6,359,500	557,142	6,916,642	**78,363,014**	72,711,740
Other Expenses:														
Transportation and workers' expenses	24,373	277,402	241,413	2,285	-	13,869	209,347	54,437	823,126	11,240	1,287	12,527	**835,653**	817,382
Allowances and activities - parents and children	97,359	206,384	533,962	1,618	4,273	8,429	369,031	127,158	1,348,214	-	-	-	**1,348,214**	1,040,677
Tuition, school expenses and camp fees	1,656	20,053	362	-	2,949	126,821	6,856	2,182	160,879	-	-	-	**160,879**	80,906
Purchase of services	231,590	953,354	1,102,310	1,042,943	35,059	169,480	122,889	1,023,353	4,680,978	1,813,701	2,576	1,816,277	**6,497,255**	4,689,723
Purchase of health services	-	-	-	-	-	-	-	-	-	-	-	-	**-**	1,510,064
Training expense	-	-	-	-	-	-	-	-	-	-	-	-	**-**	24,412
Food	109,049	54,922	571,693	-	40,584	691,469	34,524	105,106	1,607,347	-	-	-	**1,607,347**	1,307,592
Clothing, bedding and linen	11,716	7,523	97,149	-	-	-	582	20,031	137,001	-	-	-	**137,001**	149,006
Supplies and equipment	89,937	69,509	415,599	22,023	13,463	380,232	83,805	215,916	1,290,484	119,691	-	119,691	**1,410,175**	691,348
Rent, utilities and real estate taxes	147,871	1,328,698	1,454,356	476,372	276,450	572,523	945,321	1,334,984	6,536,575	899,228	-	899,228	**7,435,803**	6,282,813
Rental of furnishing, equipment and vehicles	12,711	71,674	380,951	11,628	1,057	30,878	25,223	52,397	586,519	68,092	1,209	69,301	**655,820**	621,096
Repairs and equipment - plant, equipment and vehicles	96,009	448,350	630,783	198,067	19,005	319,266	39,782	-	1,751,262	359,166	-	359,166	**2,110,428**	1,860,108
Communications	40,218	214,432	161,659	32,373	3,364	64,064	245,465	39,528	801,103	294,696	16,631	311,327	**1,112,430**	1,036,126
Dues, licenses and permits	718	7,391	25,193	550	630	-	59	19,149	53,690	27,786	-	27,786	**81,476**	77,435
Office supplies	11,825	112,143	59,371	11,586	2,635	61,424	170,405	38,627	468,016	126,236	7,331	133,567	**601,583**	561,176
Conference expenses	-	-	-	-	-	-	-	-	-	-	-	-	**-**	350,186
Administrative expenses	31,404	208,257	194,399	31,537	14,377	177,083	518,407	314,641	1,490,105	1,058,187	72,555	1,130,742	**2,620,847**	2,483,614
Professional services	2,103	163,847	398,586	9,914	3,835	20,661	1,713,797	236,462	2,549,205	2,832,035	-	2,832,035	**5,381,240**	4,602,018
Insurance	18,923	65,703	399,042	37,266	509	190,789	7,774	46,666	766,672	709,017	-	709,017	**1,475,689**	1,405,674
Interest and bank charges	-	307	225,221	-	-	43	-	359,364	584,935	375,809	9,796	385,605	**970,540**	686,336
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	**-**	101,088
Boarding home and clothing pass-thru	-	9,444,785	-	-	-	-	-	-	9,444,785	-	-	-	**9,444,785**	9,188,385
Boarding payment - special	2,040	64,341	-	-	-	-	3,829	-	70,210	-	-	-	**70,210**	53,463
Donated services	-	-	-	-	-	2,212,490	-	-	2,212,490	-	208,346	208,346	**2,420,836**	2,567,345
Bad debt	-	-	-	-	-	-	189,602	850,000	1,039,602	-	-	-	**1,039,602**	784,697
Depreciation and amortization	97,875	436,095	836,630	109,901	158,813	126,489	209,101	466,021	2,440,925	717,238	26,759	743,997	**3,184,922**	2,649,047
Total Expenses	**$4,003,031**	**$26,936,910**	**$27,938,402**	**$6,911,413**	**$1,696,351**	**$13,300,057**	**$22,546,970**	**$8,957,361**	**$112,290,495**	**$15,771,622**	**$903,632**	**$16,675,254**	**$128,965,749**	$118,333,457

See accompanying notes to financial statements.

The New York Foundling Hospital

Statement of Cash Flows
(with comparative totals for 2014)

Year ended June 30,	**2015**	2014
Cash Flows From Operating Activities:		
Change in net assets	**$ 19,757,009**	$ (735,420)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**3,184,922**	2,850,195
Bad debt expense	**1,039,602**	784,693
Adjustment of discount on pledges receivable	**(3,214)**	(6,973)
Amortization of deferred financing costs	**83,429**	26,397
Net realized and unrealized gains on investments	**(3,359,037)**	(2,490,739)
Permanently restricted contributions	**(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	**(220,797)**	(69,194)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts and grants receivable	**3,131,364**	(4,669,889)
Bequest receivable	**(4,152,785)**	-
Pledges receivable	**284,167**	202,500
Assets held by others	**-**	117,089
Prepaid expenses, deposits and other assets	**(648,718)**	(105,665)
Due from affiliates	**-**	711,032
Deferred financing costs	**(534,867)**	(368,134)
Assets limited as to use	**(26,106)**	(405,667)
Increase (decrease) in:		
Accounts payable and accrued expenses	**3,187,911**	2,923,734
Due to affiliates	**(489,474)**	489,474
Deferred revenue	**2,399,769**	(1,324,277)
Net Cash Provided By (Used In) Operating Activities	**5,783,814**	(2,070,844)
Cash Flows From Investing Activities:		
Sales of property	**43,059,769**	-
Cash held in escrow	**(4,500,000)**	-
Change in short-term investments	**72,184**	1,870,881
Purchases of investments	**(29,596,438)**	(74,868)
Proceeds from sale of investments	**3,537,646**	807,545
Purchases of fixed assets	**(5,360,525)**	(7,758,426)
Net Cash Provided By (Used In) Investing Activities	**7,212,636**	(5,154,868)
Cash Flows From Financing Activities:		
Permanently restricted contributions	**19,000**	-
Payment made to terminate participation in the Archdiocese pension plan	**(18,586,011)**	-
Principal payments of mortgages payable	**(256,135)**	(259,441)
Principal payment of bonds	**(496,172)**	(480,349)
Proceeds from loans payable	**15,000,000**	10,000,000
Principal payments of loans payable	**(991,667)**	-
Net Cash (Used In) Provided By Financing Activities	**(5,310,985)**	9,260,210
Net Increase in Cash and Cash Equivalents	**7,685,465**	2,034,498
Cash and Cash Equivalents, Beginning of Year	**7,705,212**	5,670,714
Cash and Cash Equivalents, End of Year	**$ 15,390,677**	$ 7,705,212
Supplemental Disclosure of Cash Flow Information:		
Cash paid for interest	**$ 872,314**	$ 671,019

See accompanying notes to financial statements.

1. Nature of the Organization

The New York Foundling Hospital (the "Foundling") is a voluntary not-for-profit child care agency serving the New York City metropolitan area. It is a multifunctional social services 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.

On July 1, 2014, the operations of the Vincent J. Fontana Center for Child Protection (the "Fontana Center") were merged with those of the Foundling. Prior to this merger, the Fontana Center was a separate legal entity affiliated to the Foundling through common board membership. The financial results of the Fontana Center have historically been reported as an affiliated entity in the financial statements of the Foundling. Effective July 1, 2014, the financial results of the Fontana Center were consolidated with those of the Foundling, as this legal entity no longer exists.

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, 2015, $2,387,940 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 and Promises to Give

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, 2015 of $2,420,836 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, 2015, 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, 2011 through June 30, 2015 are 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 until the donor-imposed restrictions have been met.

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 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, 2015, there was no interest or penalties recorded or included in the financial statements. As of June 30, 2015, management believes that the Foundling is no longer subject to income tax examinations for years prior to 2012.

(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 financial institutions which 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.

(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) New Accounting Pronouncement

In May 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-07, "Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)," which seeks to eliminate diversity in practice surrounding how investments measured at net asset value under the practical expedient with future redemption dates have been categorized in the fair value hierarchy. The standard is effective for annual periods beginning after December 15, 2015. Management is currently determining the impact that the adoption of this guidance will have on the Foundling's financial statement results.

3. Financial Instruments and Fair Value

The fair value and cost of investments at June 30, 2015 consisted of the following:

	Cost	Fair Value
Short-term investments	$ 1,520,314	$ 1,520,314
Corporate and foreign equities	4,857,372	5,106,428
Publicly-traded mutual funds	11,388,125	11,186,803
Limited partnerships	24,870,193	36,915,475
Total investments	$42,636,004	$54,729,020

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, 2015:

	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, 2015
Short-term investments	$ 1,520,314	$ -	$ -	$ 1,520,314
Corporate and foreign equities	5,106,428	-	-	5,106,428
Publicly-traded mutual funds:				
Intermediate term bond funds	9,160,644	-	-	9,160,644
Emerging markets stock fund	2,026,159	-	-	2,026,159
Limited partnerships:				
Pharmaceutical	-	-	10,027,502	10,027,502
Hedge fund	-	-	15,822,113	15,822,113
Private equity	-	-	6,112,570	6,112,570
High grade corporate debt	-	-	981,319	981,319
International equity	-	-	3,971,971	3,971,971
Total	$17,813,545	$ -	$36,915,475	$54,729,020

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, 2015:

Description	Balance at July 1, 2014	Purchases	Sales	Realized Loss	Unrealized Gain	Balance at June 30, 2015
Limited partnerships	$20,197,096	$13,939,487	$(740,773)	$(69,878)	$3,589,543	$36,915,475

Investments for which fair value is estimated using report NAV, or the equivalent, are summarized as follows as of June 30, 2015:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships:				
Pharmaceutical	$10,027,502	$ -	N/A	N/A
Hedge fund	15,822,113	1,379,197	Quarterly	45 days prior written notice
Private equity	6,112,570	-	(a)	(a)
High grade corporate debt	981,319	287,700	N/A	N/A
International equity	3,971,971	-	Monthly	30 days prior written notice
Total	$36,915,475			

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

4. Pledges Receivable, Net

Pledges receivable are reported at their net present value calculated using a discount rate equal to the risk-free interest rate, which is the U.S. treasury note interest rate in effect at the time the contributions are made and equal in duration to the length of time that the pledge is expected to be paid over. Pledges receivable, net of present value discount, at June 30, 2015 is $87,142.

The following represents future payments due:

June 30, 2015	
Within one year	$79,999
Two to five years	7,500
Discount to present value	(357)
Total	$87,142

5. Assets Limited As to Use

Assets limited as to use at June 30, 2015 are as follows:

Debt Service Reserve Fund	$ 295,531
Gift Annuity	45,488
Deferred Compensation Investments	474,154
	815,173
Less: Current portion	(124,726)
	$ 690,447

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

6. Fixed Assets, Net

Fixed assets, net, consist of the following:

June 30, 2015	
Land	$ 42,687
Buildings and improvements	32,919,111
Equipment, furniture and signs	17,714,375
Leasehold improvements	24,287,687
Total fixed assets	74,963,860
Less: Accumulated depreciation and amortization	(33,142,966)
Construction-in-progress	2,087,034
Fixed assets, net	$ 43,907,928

The estimated cost to complete construction-in-progress is $11,531,755.

Sale of Property

On August 20, 2014, the Foundling sold a building located at 27 Christopher Street for $45,000,000. The Foundling leased the building back from the buyer, through January 2016, for a nominal fee so that the Foundling could continue to utilize that facility for program-related activities. Proceeds collected at closing were $40,500,000. The remaining $4,500,000 will remain in escrow until the Foundling vacates the property.

7. Loans Payable

(a) On June 20, 2014, the Foundling entered into a loan agreement 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 plus 155 basis points which was 1.73% at June 30, 2015.

Future principal payments are as follows:

Year ending June 30	
2016	$ 400,000
2017	400,000
2018	400,000
2019	400,000
2020	400,000
Thereafter	7,633,333
Total	$9,633,333

(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 1.83% at June 30, 2015.

Future principal payments are as follows:

Year ending June 30,	
2016	$ 1,500,000
2017	1,500,000
2018	1,500,000
2019	1,500,000
2020	1,500,000
Thereafter	6,875,000
Total	$14,375,000

8. Mortgages Payable

Facilities held under mortgage and the corresponding outstanding balances due on each note consist of the following as of June 30, 2015:

Year ended June 30, 2015		
(a)	Pelham Manor	$ 231,620
(b)	Laconia Avenue	169,575
	153 Stephens Avenue	123,649
	155 Stephens Avenue	125,577
(c)	91 East 208th Street	73,770
(d)	34 Beechmont Drive	892,349
(e)	2 Sylvia Lane	765,677
		2,382,217
Less:	Current portion of mortgages payable	(265,904)
		$2,116,313

(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 2.75% at June 30, 2015. 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 2.75% at June 30, 2015. 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,	
2016	$ 265,904
2017	271,826
2018	278,269
2019	285,113
2020	169,375
Thereafter	1,111,730
Total	$2,382,217

9. 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
2016	$ 363,604	$114,974
2017	375,009	103,910
2018	386,772	92,498
2019	398,907	80,728
2020	411,421	68,589
Thereafter	2,063,223	158,538
Total	$3,998,936	$619,237

	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, 2015, $6,535,000 of the Series 2008A-1 bonds remains outstanding.

Unamortized premium costs relating to the issuance of the bonds were $80,860 at June 30, 2015. 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
2016	$ 150,000	$ 320,756
2017	160,000	313,256
2018	165,000	305,256
2019	175,000	297,006
2020	185,000	288,256
Thereafter	5,700,000	3,074,920
Total	$6,535,000	$4,599,450

10. 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"). As of June 30, 2015, 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, 2015, there was no outstanding balance.

11. 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. Pension costs for the year ended June 30, 2015 were $3,131,057.

The Foundling terminated its participation, effective December 31, 2014. As a result of terminating its participation in the defined benefit pension 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.

(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 6% of participating employees' compensation depending on number of years of service. Matching contributions are 100% vested after 3 years of service. Contributions to the plan totaled $1,014,318 for the year ended June 30, 2015.

(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 $262,157 at June 30, 2015. 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 $220,797 for the year ended June 30, 2015 in the accompanying statement of activities resulting from changes in the unfunded pension liability.

12. Transactions With Affiliates

New York Foundling Charitable Corporation

The Foundling has a lease with the Charitable Corporation, an agency sponsored by the Sisters of Charity. 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 and is now on a month-to-month lease. The rent charged for these facilities was $765,090 for the year ended June 30, 2015.

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, 2015 was $1,113,581, 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, 2015 was $60,444.

13. 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, 2015	
Head Start	$ 80,986
Alternatives for Families - Cognitive Behavioral Therapy	50,000
Mulitsystemic Therary – Psychiatric Adaptions	1,076,339
Foster Care deaf services	65,210
NY Center for Juvenile Justice	642,793
Mott Haven Academy Charter School	170,362
Summer Camp	212,703
Foster youth educational support	543,811
Other	337,266
	$3,179,470

14. Temporarily Restricted Net Assets

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

June 30, 2015	
Multisystemic Therapy - Psychiatric Adaptation	$ 630,878
Head Start	838,141
Alternatives for Families - Cognitive Behavioral Therapy	49,991
Fostercare deaf service	4,411,742
Foster youth educational support	700,290
Training	261,043
Mott Haven Academy Charter School	34,552
Summer Camp	40,213
Other programs	877,143
	$7,843,993

15. Permanently Restricted Donor Funds

For the year ended June 30, 2015, all assets included in the Foundling's permanently restricted Donor Fund are as follows:

June 30, 2015	
Short-term investments	$ 138,487
Corporate and foreign equities	444,456
Publicly-traded mutual funds	1,037,357
Limited partnerships	2,265,453
	$3,885,753

The following table provides a reconciliation of beginning and ending balances as of June 30, 2015:

June 30, 2015	
Permanently restricted net assets as of July 1, 2015	$3,866,753
Contributions	19,000
Investment income	396,857
Appropriations to unrestricted net assets	(396,857)
Permanently restricted net assets as of June 30, 2015	$3,885,753

Permanently restricted net assets consist of the following at June 30, 2015:

June 30, 2015	
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	143,500
General operating support	1,961,792
Nursing training program purposes	200,000
	$3,885,753

16. 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, 2015 are as follows:

June 30,	
2016	$ 5,393,328
2017	4,571,994
2018	3,780,886
2019	3,092,067
2020	2,146,869
Thereafter	12,722,903
	$31,708,047

Rental expense for the Foundling for June 30, 2015 was $6,359,187.

(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.

17. Subsequent Events

The Foundling's management has performed subsequent events procedures through December 1, 2015, 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.