The New York Foundling and Affiliate

Consolidated Financial Statements and Supplementary Information
Year Ended June 30, 2021

The New York Foundling and Affiliate

Contents

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited the Organization's 2020 consolidated financial statements, and our report dated December 22, 2020, expressed an unmodified opinion on those audited consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

The New York Foundling and Affiliate

Consolidated Statement of Financial Position (with summarized comparative totals for 2020)

June 30,		2021		2020
Assets				
Current				
Cash and cash equivalents	$	**18,561,530**	$	15,563,256
Investments at fair value (Note 5)		**160,902,269**		166,843,842
Accounts and grants receivable (Note 6)		**37,265,051**		35,580,357
Notes receivable, current portion (Note 7)		**60,000**		60,000
Prepaid expenses, deposits, and other assets		**1,899,318**		1,958,376
Consumer funds		**327,284**		323,412
Assets limited or restricted as to use, current portion (Note 8)		**137,353**		137,353
Total Current Assets		**219,152,805**		220,466,596
Investments, at fair value, net of current portion (Note 5)		**17,176,140**		12,039,620
Notes Receivable, net of current portion (Note 7)		**540,000**		600,000
Assets Limited or Restricted as to Use, net of current portion (Note 8)		**1,278,530**		1,044,734
Right-of-Use Assets - Operating Leases (Note 10)		**24,364,901**		-
Fixed Assets, Net (Note 9)		**79,866,004**		87,482,700
	$	**342,378,380**	$	321,633,650
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses	$	**28,989,719**	$	22,857,383
Line of credit (Note 15)		**-**		17,856,666
Accrued pension liabilities		**281,763**		499,065
Consumer funds		**327,284**		323,412
Deferred rent		**-**		3,412,543
Due to governmental agencies (Note 11)		**10,438,047**		10,782,060
Current portion of loan payable, net of deferred financing costs (Note 12)		**3,246,622**		1,813,905
Current portion of mortgages payable, net of deferred financing costs (Note 13)		**320,876**		3,467,227
Current portion of bonds payable, net of deferred financing costs (Note 14)		**625,375**		597,056
Current portion of operating lease liabilities (Note 10)		**3,212,045**		-
Total Current Liabilities		**47,441,731**		61,609,317
Accounts Payable and Accrued Expenses, net of current portion		**4,810,007**		1,244,505
Accrued Pension Obligation		**25,500**		174,427
Loan Payable, net of current portion and deferred financing costs (Note 12)		**19,036,736**		12,283,357
Mortgages Payable, net of current portion and deferred financing costs (Note 13)		**7,619,266**		942,926
Bonds Payable, net of current portion and deferred financing costs (Note 14)		**6,436,911**		7,065,810
Operating Lease Liabilities, net of current portion (Note 10)		**23,026,420**		-
Total Liabilities		**108,396,571**		83,320,342
Commitments and Contingencies (Note 18)				
Net Assets				
Without donor restrictions		**220,557,560**		224,322,764
With donor restrictions (Note 17)		**13,424,249**		13,990,544
Total Net Assets		**233,981,809**		238,313,308
	$	**342,378,380**	$	321,633,650

See accompanying notes to consolidated financial statements.

The New York Foundling and Affiliate

Consolidated Statement of Functional Expenses
(with summarized comparative totals for 2020)

Year ended June 30,

	Program Services								Supporting Services				
	Child Welfare	OPWDD Services	Education	Health and Behavior Health	Juvenile Justice	Community Engagement Initiatives	Other Programs	Total Program Services	Management and General	Fundraising	Total Supporting Services	2021	2020
Salaries and Wages	$ 23,598,689	$ 49,312,867	$ 15,196,931	$ 8,956,974	$ 3,034,295	$ 1,230,650	$ 215,739	$ 101,546,145	$ 11,331,640	$ 650,735	$ 11,982,375	$113,528,520	$ 101,191,285
Employee Benefits													
Payroll taxes and mandatory fringes	2,053,101	5,824,414	1,441,534	694,143	286,294	94,420	16,129	10,410,035	801,463	46,820	848,283	11,258,318	11,185,853
Others	4,360,547	7,547,501	2,635,624	1,198,970	496,697	194,941	45,308	16,479,588	1,447,368	96,779	1,544,147	18,023,735	15,742,144
Total Salaries and Employee Benefits	30,012,337	62,684,782	19,274,089	10,850,087	3,817,286	1,520,011	277,176	128,435,768	13,580,471	794,334	14,374,805	142,810,573	128,119,282
Other Expenses													
Transportation and workers' expenses	97,676	218,518	14,953	1,545	-	-	-	332,692	53,456	-	53,456	386,148	767,884
Allowances and activities - parents and children	232,571	1,128,523	262,689	3,761	5,381	70,810	-	1,703,735	-	-	-	1,703,735	1,844,861
Tuition, school expenses, and camp fees	3,429	-	118,640	-	-	-	10,000	132,069	-	-	-	132,069	292,104
Purchase of services	1,129,722	3,883,999	240,461	1,076,622	22,153	18,249	374,543	6,745,749	1,536,131	-	1,536,131	8,281,880	17,793,065
Food	78,309	1,553,568	373,179	-	-	316	61,000	2,066,372	-	-	-	2,066,372	2,377,086
Clothing, bedding, and linen	15,119	167,112	-	-	-	-	-	182,231	-	-	-	182,231	164,505
Supplies and equipment	165,646	1,042,676	3,112,671	23,812	1,870	13,526	4,086	4,364,287	70,999	6,444	77,443	4,441,730	3,788,830
Rent, utilities, and real estate taxes	1,754,338	5,057,777	1,148,761	532,224	21,605	6,723	206,438	8,727,866	470,816	-	470,816	9,198,682	9,640,318
Rental of furnishing, equipment, and vehicles	77,910	1,158,939	49,626	1,237	-	-	3,957	1,291,669	236,336	321	236,657	1,528,326	1,616,919
Repairs and maintenance - plant, equipment, and vehicles	728,412	2,589,041	5,947,948	148,014	72,952	11,515	105,670	9,603,552	924,995	25,860	950,855	10,554,407	6,975,453
Communications	433,292	736,498	183,266	134,887	39,062	15,372	3,954	1,546,331	168,247	6,222	174,469	1,720,800	1,566,760
Dues, licenses, and permits	4,206	33,913	11,904	2,835	-	-	300	53,158	95,439	795	96,234	149,392	176,676
Office supplies	150,517	90,943	132,616	39,171	19,358	3,900	274	436,779	75,478	4,142	79,620	516,399	590,436
Relief assistance to employees	-	-	-	-	-	-	-	-	-	-	-	-	10,500
COVID-19-related expenses	14,599	111,997	1,472,218	11,892	48	-	-	1,610,754	445,477	-	445,477	2,056,231	725,709
Administrative expenses	391,773	374,942	368,536	48,408	14,054	34,375	319,354	1,551,442	652,422	6,441	658,863	2,210,305	2,893,550
Professional services	1,129,176	639,157	816,069	227,676	321,476	191,308	26,977	3,351,839	4,076,932	73,734	4,150,666	7,502,505	6,933,106
Insurance	48,958	879,980	253,683	62,251	-	-	76,216	1,321,088	1,805,620	-	1,805,620	3,126,708	2,764,426
Interest and bank charges	-	387,132	-	-	-	-	307,934	695,066	630,935	8,563	639,498	1,334,564	1,748,027
Boarding home and clothing pass through	7,479,117	-	-	-	-	-	-	7,479,117	-	-	-	7,479,117	7,858,258
Boarding payment - special	290,385	6,838	22,584	-	-	-	-	319,807	-	-	-	319,807	313,667
Donated services	-	-	829,952	-	-	-	-	829,952	-	194,904	194,904	1,024,856	2,186,231
Bad debt expense	-	625	-	-	-	-	-	625	-	-	-	625	-
Depreciation	852,053	1,135,152	158,180	407,045	90,754	51,312	1,188,196	3,877,692	1,634,645	1,017	1,635,662	5,513,354	5,770,267
Total Operating Expenses	$ 45,089,545	$ 83,682,112	$ 34,792,025	$ 13,566,467	$ 4,425,999	$ 1,937,417	$ 3,166,075	$ 186,659,640	$ 26,458,399	$ 1,122,777	$ 27,581,176	$214,240,816	$ 206,917,920

See accompanying notes to consolidated financial statements

1. Nature of the Organization

For more than 150 years, The New York Foundling (The Foundling) has been a leading provider of social services for low income individuals and families living in the New York City metropolitan region and Puerto Rico. The Foundling was organized by the Sisters of Charity and remains affiliated with the Sisters of Charity Ministry Network, Inc., which is the sole corporate member of The Foundling.

Regardless of creed or color, The Foundling provides preventive services to keep children safe at home and avoid the foster care system; and supervision of children in foster and adoption homes; after-care supervision of children discharged from foster care; tutoring of children in the foster care system; and shelter, care and casework services to unmarried mothers. The Foundling also provides services to individuals with intellectual and/or developmental disabilities.

The Foundling is a Section 501(c)(3) not-for-profit corporation exempt from federal income tax under Section 501(a) of the Internal Revenue Code (IRC) and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the IRC and qualifies for the maximum charitable contribution deduction by donors. The Foundling is also exempt from state and local taxes. The Foundling's revenues are earned primarily from Medicaid, New York State, New York City, and Federal government sources for services provided, with additional support provided from philanthropy.

On September 2018, the Evelyn Douglin Center for Serving People in Need Inc, d/b/a The Thrive Network (Thrive or Affiliate) became a controlled affiliate of The Foundling. Thrive is a separate legal entity, though substantially all of its programs have been transferred to The Foundling, as their sole corporate member. Thrive was a Brooklyn, New York-based social service agency focused on serving the needs of individuals with developmental disabilities.

The New York Foundling Charitable Corp (NYFCC) has been an unconsolidated, though affiliated entity of The Foundling. NYFCC was a Type II Supporting Organization under Sections 501(c)(3) and 509(a)(3) of the Internal Revenue Code. In March 2018, the Board of Directors of The Foundling and NYFCC agreed to merge. On July 1, 2019 NYFCC effectively merged with The Foundling. The surviving corporation is The Foundling. This transaction was approved by the New York State Attorney General. The assets, liabilities and net assets were transferred at cost upon the effective merger date on July 1, 2019.

2. Principles of Consolidation

The accompanying consolidated financial statements include the accounts of The Foundling and Thrive (collectively, the Organization). All material intercompany transactions and balances have been eliminated in the consolidated financial statements.

3. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of the Organization have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) using the accrual basis of accounting. In the consolidated statement of financial position, assets and liabilities

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 those that market participants operating within the same marketplace as the Organization would use in pricing the Organization's asset or liability based on independently derived and observable market data. Unobservable inputs are inputs that cannot be sourced from a broad active market in which assets or liabilities identical or similar to those of the Organization are traded. The Organization estimates the price of any assets for which there are only unobservable inputs by using assumptions that market participants who 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 is 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 - Valuation is based on: (a) quoted prices for similar assets or liabilities in active markets, (b) quoted prices for identical or similar assets or liabilities in inactive markets, (c) inputs other than quoted prices that are observable for the asset or liability, and (d) inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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

Investments at Fair Value

Investments are recorded at their fair values. Realized and unrealized gains and losses on investments are reported in the consolidated statement of activities as increases or decreases in net assets.

Investments consist of corporate and foreign equities, publicly traded mutual funds, and investments in limited partnerships. 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 Organization at year-end.

The Organization'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 their 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

Impairment of Long-Lived Assets

The Organization follows the provisions of ASC 360-10-35, *Accounting for the Impairment or Disposal of Long-Lived Assets*, which requires the Organization to review long-lived assets, including both fixed and intangible assets, 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, 2021, there have been no such losses.

Deferred Issuance and Financing Costs

Deferred issuance and financing costs represent costs incurred to obtain financing. Amortization of these costs is provided on the straight-line basis, which does not differ materially from the interest method, extending over the term of indebtedness. Deferred issuance and financing costs are netted against the related loan, mortgage, or bond payable in the consolidated statement of financial position.

Deferred Rent

For the fiscal year ended June 30, 2020, rent expense was being recognized on a straight-line basis over the lives of the leases. The difference between rent expense recognized and rental payments, as stipulated in the respective leases, is reflected as deferred rent in the consolidated statement of financial position. Any landlord incentives on leasehold improvement costs will be amortized over the lives of the leases. For the fiscal year ended June 30, 2021, there was no deferred rent balance reported on the consolidated statement of financial position due to the effects of adopting ASC 842, *Leases*.

Revenue Recognition

Government and Other Grants and Contracts

The Organization receives substantially all of its 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. The fiscal years ended June 30, 2018 through June 30, 2021 remain subject to audit by ACS.

Government and other grants and contracts revenue are nonexchange transactions in which no commensurate value is exchanged. Accordingly, contribution accounting is applied under ASC Topic 958, *Not-for-Profit Entities*. Government and other grants and contracts revenue are evaluated for contributions that are conditional. Factors indicating the existence of a conditional contribution include the presence of a barrier that must be overcome and either a right of return of assets transferred or a right of release of a funder's obligation to transfer the assets. Government and other grants and contracts revenue are recognized when the conditions are satisfied, which is generally when the expenditures for each contract are incurred. Included in government and other grants and contracts revenue are estimated retroactive revenue adjustments due to underspent interim rates, future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no

The following table shows the Organization's fee-for-service revenue disaggregated by payor:

Year ended June 30, 2021	
Medicaid	$ 99,365,891
Medicaid Managed Care	2,457,580
Private Pay	524,757
New York State Department of Education	1,041
City of New York Administration for Children's Services	23,519,902
Total	$ 125,869,171

The following table shows the Organization's fee-for-service revenue disaggregated by service line:

Year ended June 30, 2021	
Foster Care	$ 23,519,902
Foster Care - Medicaid	6,031,227
NYS OPWDD	90,666,687
Article 31	5,650,314
NYS Department of Education Food Program	1,041
Total	$ 125,869,171

Donor-Restricted Fund

The Organization's donor-restricted fund in perpetuity (the Donor Fund) consists of investments that are held in perpetuity. The Organization follows the requirements of the New York Prudent Management of Institutional Funds Act (NYPMIFA) as they relate to the Organization's contributions and net assets with donor restrictions - in perpetuity, 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 Organization 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 Organization classifies as net assets with donor restrictions - in perpetuity (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 net assets without donor restrictions or net assets with donor restrictions - time/purpose restricted.

Functional Allocation Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the consolidated statement of activities. Certain shared costs have been allocated among the programs and supporting services based on benefits received, they pertain mainly to shared costs of occupancy, including rent, utilities, and maintenance, that are allocated based on square footage used. Other costs, such as information technology, are allocated based on the number of users. All other indirect costs are captured as management and general.

Concentration of Credit Risk

Financial instruments that potentially subject the Organization to concentration of credit risk consist primarily of cash and cash equivalents in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits. At various times during the year, the Organization may have cash deposits at financial institutions in excess of FDIC insurance limits. These financial institutions have strong credit ratings, and management believes that credit risk related to these accounts is minimal.

Risks and Uncertainties

Investment Risks

The Organization's investments are concentrated in marketable equity securities, publicly traded mutual funds, and limited partnerships. Such investments are subject to various market risks that determine the value of the funds. Due to the level of risk associated with certain equity securities and the level of uncertainty related to changes in the value of these securities, it is at least reasonably possible that changes in market conditions in the near term could materially affect the value of investments reported in the consolidated financial statements.

Recently Adopted Authoritative Guidance

Leases (Topic 842)

In February 2016, the FASB issued ASU 2016-02, *Accounting for Leases (Topic 842)*, which applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize a ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Statement of financial position recognition of finance and operating leases is similar, but the pattern of expense recognition in the statement of activities, as well as the effect on the statement of cash flows, differs depending on the lease classification. In addition, lessees and lessors are required to provide certain qualitative and quantitative disclosures to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The amendments are effective for fiscal years beginning after December 15, 2019 for public not-for-profit entities. Effective July 1, 2020, the Organization adopted ASU 2016-02 following the modified retrospective method of application.

The amendments in the ASU should be applied on a retrospective basis and are effective for annual reporting periods beginning after June 15, 2021. Early adoption of the ASU is permitted.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications

Certain account balances in the consolidated statement of financial position for the year ended June 30, 2020 have been reclassified to conform to the current-year presentation.

4. Liquidity and Availability of Resources

The Organization's financial assets available within one year of the consolidated statement of financial position date for general expenditures are as follows:

June 30, 2021	
Cash and cash equivalents	$ 18,561,530
Investments, at fair value	160,902,269
Accounts and grants receivable	37,265,051
Note receivable, current portion	60,000
Total Current Assets*	216,788,850
Less: those unavailable for general expenditures within one year, due to:	
Restricted by donor for specific purpose or in perpetuity	(13,424,249)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 203,364,601

* Total current assets excluding nonfinancial assets; prepaid expenses, deposits, and other assets; consumer funds; and assets limited or restricted as to use, current portion.

Liquidity Management

As part of the Organization's liquidity management, it structures its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Organization invests cash in excess of daily requirements in short-term investments. The Organization has an investment committee, reporting to its Board of Directors, which provides guidance with respect to appropriate management of its investments. Additionally, the Organization has $12,000,000 available for general expenditure at June 30, 2021 on its line of credit.

Quantitative Information about Level 3 Fair Value Measurements				
Description		Fair Value at June 30, 2021	Valuation Technique	Unobservable Input
Limited partnerships:				
Hedge fund	$	16,301,323	Market comparable entities	Discount for lack of marketability (a)
Private equity		9,820,066	Market comparable entities	Discount for lack of marketability (a)
International equity		2,730,961	Market comparable entities	Discount for lack of marketability (a)
	$	28,852,350		

[a] Represents amounts used when the reporting entity has determined that market participants would take into account these premiums and discounts when pricing the investments.

Investment earnings are comprised of the following:

June 30, 2021		
Realized gain	$	25,416,380
Unrealized loss		(28,706,215)
Interest and dividends		2,639,125
Investment management fees		(336,567)
Total Net Loss from Investments	$	(987,277)

Corporate and Foreign Equities and Publicly Traded Mutual Funds

The Organization'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 Organization. The mutual funds are traded at quoted prices through the National Securities Clearing Corporation and can be redeemed on a daily basis. Management believes that the most appropriate classification for these investments is Level 1.

Limited Partnerships

The Organization's holdings in limited partnerships are valued based on Level 2 and 3 inputs within the investment hierarchy used in measuring fair value.

Certain limited partnership investments are reported as Level 2, as those assets have inputs other than quoted prices that are observable. The inputs that are observable may include commonly quoted interest rates, yield curves, volatilities, prepayment speeds, loss severities, credit risks, default rates, inputs that are derived principally from or corroborated by observable market data, and similar information. The assets included as Level 2 have all associated inputs and/or adjustments that are observable.

Certain limited partnership investments are reported as Level 3, as those assets have significant inputs, one or more, that are included in the price development that are not observable.

7. Notes Receivable

In 2007, NYFCC loaned $1,500,000 to the John Coleman School (the Coleman School), a voluntary agency also sponsored by the Sisters of Charity, to provide working capital. The loan bears an interest on the unpaid principal balance at the rate incurred by NYFCC on its outstanding debt, and the principal is being repaid at $5,000 per month. As a result of the merger, the note was transferred to The Foundling. As of June 30, 2021, the balance of the note receivable amounted to $600,000.

8. Assets Limited or Restricted as to Use

Assets limited or restricted as to use are as follows:

June 30, 2021	
Debt service reserve fund	$ 392,779
Gift annuity	9,992
Deferred compensation investments	1,013,112
	1,415,883
Less: current portion	(137,353)
	$ 1,278,530

9. Fixed Assets, Net

Fixed assets, net, consist of the following:

June 30, 2021	
Land	$ 8,227,050
Buildings and improvements	83,024,089
Equipment, furniture, and signs	14,250,694
Vehicles	33,585,492
Leasehold improvements	147,892
	139,235,217
Less: accumulated depreciation	(60,532,947)
Construction-in-progress	1,163,734
	$ 79,866,004

The estimated cost to complete construction-in-progress is $3,095,000. Construction-in-progress includes construction for renovations and improvements for various residential homes and terrace projects for developmental disabilities programs.

Depreciation expense for the year ended June 30, 2021 totaled $5,513,354.

Operating Leases

The following table reconciles the undiscounted operating lease payments to the lease liabilities recorded on the accompanying consolidated statement of financial position at June 30, 2021.

Year ending June 30,	
2022	$ 3,480,350
2023	3,499,671
2024	2,725,225
2025	1,881,515
2026	1,742,901
Thereafter	15,049,895
Total Lease Payments	28,379,557
Less: imputed interest	(2,141,092)
Total Operating Lease Liabilities	$ 26,238,465

Total rental expense charged to operations for the year ended June 30, 2021 totaled $7,180,228.

11. Due to Governmental Agencies

Amounts due to governmental agencies consisting primarily of overpayments from funding sources, which will be recouped in subsequent periods, are as follows:

June 30, 2021	
NYC ACS Foster Care	$ 6,366,495
NYC ACS Family Day Care	609,439
NYC ACS Preventive and others	1,906,999
NYS OPWDD	1,555,114
	$ 10,438,047

12. Loans Payable, Net

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 3.53% at June 30, 2021. The loan is secured by the office building.

If the PPP loan is not fully forgiven, the future principal payments would be as follows:

Year ending June 30,		
2022	$	1,432,717
2023		1,983,211
2024		2,003,135
2025		2,023,258
2026		2,043,584
Thereafter		514,095
	$	10,000,000

13. Mortgages Payable, Net

Facilities held under mortgage and the corresponding outstanding balances due on each note consist of the following:

June 30, 2021		
(a) Pelham Manor	$	95
(b) 34 Beechmont Drive		523,035
(c) 2 Sylvia Lane		447,119
(d) Brooklyn facilities:		
337A Macon St.		1,707,781
2112 Canarsie Road		1,392,615
8 Schenck		979,188
East 38th St.		1,579,029
1663 Union Street		1,581,457
		8,210,319
Less:		
Current portion of mortgages payable		(320,876)
Unamortized balance of deferred financing costs		(270,177)
	$	7,619,266

(a) In April 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 the 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) In December 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 3.66% per annum. The mortgage is secured by the property located at 34 Beechmont Drive, New Rochelle, New York.

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

Year ending June 30,		Principal		Interest
2022	$	437,648	$	43,156
2023		451,385		29,838
2024		465,554		25,816
2025		91,476		7,279
2026		94,729		4,491
Thereafter		98,099		1,603
		1,638,891		112,183
Less: unamortized balance of deferred issuance costs		(65,782)		-
	$	1,573,109	$	112,183

Residential Institutions for Children Revenue Bonds

Series		Principal
Residential Institutions for Children Revenue Bonds, Series 2008A-1 (various rates ranging from 3.5% to 5.0%, due June 1, 2038)	$	7,155,000

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, 2021, $5,505,000 of the Series 2008A-1 bonds remains outstanding.

The DASNY bonds are conduit debt securities, since they are offered by a governmental entity not for its own use, but for the use of The Foundling. As the conduit debt obligor, The Foundling is required to make all interest and principal payments as they become due. The bonds are publicly held and, therefore, have additional financial reporting requirements.

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

Defined Contribution Plan

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 contributions ranging from 2% to 4%, depending on number of years of service. For the year ended June 30, 2021, the employer contribution expense was $3,302,793.

Religious Pension Plan

The Foundling also participates in a defined benefit pension plan (defined benefit plan) administered by a life insurance company. As of June 30, 2021, The Foundling has an unfunded pension obligation of $25,500. 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 net assets without donor restriction of $148,927 for the year ended June 30, 2021 in the accompanying consolidated statement of activities, resulting from changes in the unfunded pension liability.

17. Net Assets with Donor Restrictions

Net assets with donor restrictions are available for the following purposes:

June 30, 2021		
Restricted for specific purpose:		
Foster care deaf service	$	5,356,464
Foster youth educational support		759,854
Head Start		1,418,487
Fair futures mentoring model		500,000
Training and workshop		543,751
Summer camp		58,189
In-house mentored internship		129,979
Other programs		692,983
Total Restricted for Specific Purpose		9,459,707
Restricted in perpetuity - donor fund:		
Alice Ward Kelly Fund		1,050,232
James Donohue Fund		268,742
William Fries Fund		10,000
Emily M. Moos Fund		251,487
General operating support - Altman Foundation		1,962,792
Nursing training program purposes - Heart Foundation		200,000
Other funds		221,289
Total Restricted in Perpetuity - Donor Fund		3,964,542
Total Net Assets with Donor Restrictions	$	13,424,249

disposition of these matters will not have a material adverse effect on the Organization's consolidated statement of financial position, results of activities, or liquidity.

19. Subsequent Events

On June 30, 2021, The Foundling ended a contract for residential services for teenage mothers and their newborn children that was funded by New York City ACS and operated out of a Foundling owned facility on Staten Island, New York. The construction of this facility was financed by DASNY with tax-exempt bonds that required the facility to remain in continuous use for children engaged in the foster care system. With the termination of this contract, The Foundling no longer met these criteria and has notified DASNY of the closure of its related programs and is proceeding to redeem the bonds of which there is approximately $5,500,000 outstanding. Repayment is expected in December 2021 from funds to be drawn under the $12,000,000 available line of credit.

The Organization has performed subsequent events procedures through December 1, 2021, which is the date the consolidated financial statements were available to be issued, and there were no other subsequent events requiring adjustments to the consolidated financial statements or disclosures stated herein.

The New York Foundling and Affiliate

Consolidating Schedule of Financial Position
(with summarized comparative totals for 2020)

June 30,

		The Foundling		Thrive		Eliminations		2021		2020
Assets										
Current										
Cash and cash equivalents	$	18,412,420	$	149,110	$	-	$	**18,561,530**	$	15,563,256
Investments at fair value (Note 5)		160,902,269		-		-		**160,902,269**		166,843,842
Accounts and grants receivable (Note 6)		37,158,592		106,459		-		**37,265,051**		35,580,357
Notes receivable, current portion (Note 7)		60,000		-		-		**60,000**		60,000
Prepaid expenses, deposits, and other assets		1,899,242		76		-		**1,899,318**		1,958,376
Due from affiliates		-		2,065,660		(2,065,660)		**-**		-
Consumer funds		327,284		-		-		**327,284**		323,412
Assets limited as to use, current portion (Note 8)		137,353		-		-		**137,353**		137,353
Total Current Assets		218,897,160		2,321,305		(2,065,660)		**219,152,805**		220,466,596
Investments, at fair value, net of current portion (Note 5)		17,176,140		-		-		**17,176,140**		12,039,620
Notes Receivable, net of current portion (Note 15)		540,000		-		-		**540,000**		600,000
Assets Limited or Restricted as to Use, net of current portion (Note 8)		1,278,530		-		-		**1,278,530**		1,044,734
Right-of-Use Assets - Operating Leases (Note 10)		22,627,702		1,737,199		-		**24,364,901**		-
Fixed Assets, Net (Note 9)		79,866,004		-		-		**79,866,004**		87,482,700
Total Assets	$	340,385,536	$	4,058,504	$	(2,065,660)	$	**342,378,380**	$	321,633,650

The New York Foundling and Affiliate

Consolidating Schedule of Activities
(with summarized comparative totals for 2020)

Year ended June 30,

	The Foundling			Thrive				Totals	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	**2021**	2020
Program Revenue									
Fee-for-service revenue	$ 123,728,510	$ -	$ 123,728,510	$ 2,140,661	$ -	$ 2,140,661	$ -	**$125,869,171**	$ 117,316,421
Government and other grants and contracts	69,464,581	-	69,464,581	73,588	-	73,588	-	**69,538,169**	68,077,932
Contributions	1,686,485	2,624,904	4,311,389	-	-	-	-	**4,311,389**	2,905,818
Special events, net of direct expenses of $56,476 and $153,230, respectively	571,904	17,000	588,904	-	-	-	-	**588,904**	888,010
Rental income	1,120,697	-	1,120,697	380,760	-	380,760	-	**1,501,457**	1,528,366
CARES Act Relief Fund	6,093,618	-	6,093,618	-	-	-	-	**6,093,618**	-
Other program revenue	3,391,063	-	3,391,063	788,443	-	788,443	(561,097)	**3,618,409**	2,185,440
In-kind contributions	1,024,856	-	1,024,856	-	-	-	-	**1,024,856**	2,186,230
Net assets released from restrictions (Note 17)	3,109,903	(3,109,903)	-	-	-	-	-	**-**	-
Total Program Revenue	210,191,617	(467,999)	209,723,618	3,383,452	-	3,383,452	(561,097)	**212,545,973**	195,088,217
Program Services									
Child Welfare	45,089,545	-	45,089,545	-	-	-	-	**45,089,545**	49,135,278
OPWDD services	81,730,235	-	81,730,235	2,281,353	-	2,281,353	(329,476)	**83,682,112**	80,296,134
Education	34,792,025	-	34,792,025	-	-	-	-	**34,792,025**	28,888,960
Health and Behavior Health	13,566,467	-	13,566,467	-	-	-	-	**13,566,467**	13,810,288
Juvenile Justice	4,425,999	-	4,425,999	-	-	-	-	**4,425,999**	4,872,767
Community Engagement Initiatives	1,937,417	-	1,937,417	-	-	-	-	**1,937,417**	859,734
Other programs	3,166,075	-	3,166,075	-	-	-	-	**3,166,075**	2,591,375
Total Program Services	184,707,763	-	184,707,763	2,281,353	-	2,281,353	(329,476)	**186,659,640**	180,454,536
Supporting Services									
Management and general	26,024,598	-	26,024,598	665,422	-	665,422	(231,621)	**26,458,399**	25,299,960
Fundraising	1,122,777	-	1,122,777	-	-	-	-	**1,122,777**	1,163,424
Total Supporting Services	27,147,375	-	27,147,375	665,422	-	665,422	(231,621)	**27,581,176**	26,463,384
Total Expenses	211,855,138	-	211,855,138	2,946,775	-	2,946,775	(561,097)	**214,240,816**	206,917,920
Change in Net Assets from Operations	(1,663,521)	(467,999)	(2,131,520)	436,677	-	436,677	-	**(1,694,843)**	(11,829,703)
Nonoperating (Expenses) Revenue									
Investment (loss) income, net of fees (Note 5)	(888,981)	(98,296)	(987,277)	-	-	-	-	**(987,277)**	61,519,017
Legacies and bequests	1,670,074	-	1,670,074	-	-	-	-	**1,670,074**	682,459
Change in unfunded pension obligation	148,927	-	148,927	-	-	-	-	**148,927**	(93,021)
Loss from sale of properties	-	-	-	(212,078)	-	(212,078)	-	**(212,078)**	-
Loss on disposal of leasehold improvements	(2,695,706)	-	(2,695,706)	-	-	-	-	**(2,695,706)**	-
Loss on early termination of lease	(560,596)	-	(560,596)	-	-	-	-	**(560,596)**	-
Other nonoperating expense	-	-	-	-	-	-	-	**-**	(17,931)
Total Nonoperating (Expenses) Revenue	(2,326,282)	(98,296)	(2,424,578)	(212,078)	-	(212,078)	-	**(2,636,656)**	62,090,524
Change in Net Assets	(3,989,803)	(566,295)	(4,556,098)	224,599	-	224,599	-	**(4,331,499)**	50,260,821
Net Assets, beginning of year	274,121,881	13,990,544	238,112,425	200,883	-	200,883	-	**238,313,308**	188,052,487
Net Assets, end of year	$ 220,132,078	$ 13,424,249	$ 233,556,327	$ 425,482	$ -	$ 425,482	$ -	**$233,981,809**	$ 238,313,308