The New York Foundling and Affiliate

Consolidated Financial Statements and Supplementary Information

Year Ended June 30, 2023

The New York Foundling and Affiliate

Consolidated Financial Statements and Supplementary Information

Year Ended June 30, 2023

The New York Foundling and Affiliate

Contents

BDO

Tel: 212-885-8000
Fax: 212-697-1299
www.bdo.com

BDO
200 Park Avenue
New York, NY 10166
USA

Independent Auditor's Report

The Board of Trustees
The New York Foundling and Affiliate
New York, New York

Opinion

We have audited the consolidated financial statements of The New York Foundling and Affiliate (the Organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Organization as of June 30, 2023, 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.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

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.

Other Matter

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating schedule of financial position and consolidating schedule of activities are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 consolidated financial statements, and our report dated December 1, 2022, 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, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

BDO USA, P.C.

December 1, 2023

The New York Foundling and Affiliate

Consolidated Statement of Financial Position
(with summarized comparative totals for 2022)

June 30,		2023		2022
Assets				
Current				
Cash and cash equivalents	$	9,291,811	$	10,057,766
Investments, at fair value, current portion (Note 5)		143,515,178		154,112,038
Accounts and grants receivable, net (Note 6)		34,218,618		28,824,636
Notes receivable, current portion (Note 7)		60,000		60,000
Prepaid expenses, deposits, and other assets		2,130,325		1,666,916
Consumer funds		733,151		473,854
Assets limited or restricted as to use, current portion (Note 8)		137,353		137,353
Total Current Assets		190,086,436		195,332,563
Investments, at fair value, net of current portion (Note 5)		34,986,087		15,848,352
Notes Receivable, net of current portion (Note 7)		420,000		480,000
Assets Limited or Restricted as to Use, net of current portion (Note 8)		438,780		858,100
Right-of-Use Assets - Operating Leases (Note 10)		20,686,380		22,654,577
Fixed Assets, Net (Note 9)		79,058,269		80,789,044
	$	325,675,952	$	315,962,636
Liabilities and Net Assets				
Current Liabilities				
Accounts payable and accrued expenses, current portion	$	29,467,635	$	26,457,534
Line of credit, net of deferred financing costs (Note 15)		7,856,666		6,000,000
Accrued pension liabilities		-		73,849
Consumer funds		733,151		473,854
Due to governmental agencies (Note 11)		9,508,709		11,308,825
Loans payable, current portion, net of deferred financing costs (Note 12)		7,847,239		1,813,905
Mortgages payable, current portion, net of deferred financing costs (Note 13)		679,447		332,947
Bonds payable, current portion, net of deferred financing costs (Note 14)		447,704		433,535
Operating lease liabilities, current portion (Note 10)		3,012,547		2,523,631
Total Current Liabilities		59,553,098		49,418,080
Accounts Payable and Accrued Expenses, net of current portion		-		2,891,534
Accrued Pension Obligation (Note 16)		6,200		-
Loans Payable, net of current portion and deferred financing costs (Note 12)		808,309		8,655,549
Mortgages Payable, net of current portion and deferred financing costs (Note 13)		22,628,531		7,311,003
Bonds Payable, net of current portion and deferred financing costs (Note 14)		272,073		719,777
Operating Lease Liabilities, net of current portion (Note 10)		20,068,654		22,380,717
Total Liabilities		103,336,865		91,376,660
Commitments and Contingencies (Note 18)				
Net Assets				
Without donor restrictions		207,305,878		210,239,192
With donor restrictions (Note 17)		15,033,209		14,346,784
Total Net Assets		222,339,087		224,585,976
	$	325,675,952	$	315,962,636

See accompanying notes to consolidated financial statements.

The New York Foundling and Affiliate

Consolidated Statement of Activities
(with summarized comparative totals for 2022)

Year ended June 30,

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Program Revenue				
Fee-for-service revenue	$ 113,058,561	$ -	**$ 113,058,561**	$ 116,703,240
Government and other grants and contracts	85,157,238	-	**85,157,238**	64,105,706
OPWDD workforce stabilization	863,496	-	**863,496**	17,939,396
Contributions	1,620,006	4,234,702	**5,854,708**	6,240,572
Special events, net of direct expenses of $242,111 and $115,088, respectively	590,655	1,000	**591,655**	657,941
Rental income	1,134,956	-	**1,134,956**	1,302,136
Coronavirus, Aid, Relief and Economic Security Act (CARES Act) relief fund	2,118,257	-	**2,118,257**	1,190,456
Other program revenue	4,288,319	-	**4,288,319**	3,759,084
In-kind contributions	2,508,942	-	**2,508,942**	1,852,805
Net assets released from restrictions (Note 17)	3,745,285	(3,745,285)	**-**	-
Total Program Revenue	215,085,715	490,417	**215,576,132**	213,751,336
Expenses				
Program services:				
Child Welfare	46,195,424	-	**46,195,424**	41,410,276
OPWDD services	88,587,277	-	**88,587,277**	97,294,834
Education	34,190,970	-	**34,190,970**	30,296,244
Health and Behavior Health	13,951,300	-	**13,951,300**	12,644,673
Juvenile Justice	3,638,102	-	**3,638,102**	3,744,188
Community Engagement Initiatives	2,468,994	-	**2,468,994**	2,201,474
Other programs	5,586,752	-	**5,586,752**	3,841,956
Total Program Services	194,618,819	-	**194,618,819**	191,433,645
Supporting services:				
Management and general	30,408,355	-	**30,408,355**	29,744,688
Fundraising	1,351,621	-	**1,351,621**	1,324,122
Total Supporting Services	31,759,976	-	**31,759,976**	31,068,810
Total Expenses	226,378,795	-	**226,378,795**	222,502,455
Change in Net Assets from Operations	(11,293,080)	490,417	**(10,802,663)**	(8,751,119)
Nonoperating Revenue (Expenses)				
Investment gain (loss), net (Note 5)	6,748,631	146,008	**6,894,639**	(13,126,786)
Legacies and bequests	604,301	50,000	**654,301**	918,155
Change in unfunded pension obligation	(14,867)	-	**(14,867)**	34,167
Gain from sale of properties	541,701	-	**541,701**	760,000
Gain from insurance proceeds	480,000	-	**480,000**	769,750
PPP loan forgiveness	-	-	**-**	10,000,000
Total Nonoperating Revenue (Expenses), Net	8,359,766	196,008	**8,555,774**	(644,714)
Change in Net Assets	(2,933,314)	686,425	**(2,246,889)**	(9,395,833)
Net Assets, beginning of year	210,239,192	14,346,784	**224,585,976**	233,981,809
Net Assets, end of year	$ 207,305,878	$ 15,033,209	**$ 222,339,087**	$ 224,585,976

See accompanying notes to consolidated financial statements.

The New York Foundling and Affiliate

Consolidated Statement of Functional Expenses (with summarized comparative totals for 2022)

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	2023	2022
Salaries and wages	$ 23,609,198	$ 52,961,111	$ 14,506,093	$ 9,382,766	$ 2,436,541	$ 1,625,370	$ 266,838	$ 104,787,917	$ 12,725,171	$ 694,835	$ 13,420,006	$118,207,923	$ 122,997,460
Employee benefits:													
Payroll taxes and mandatory fringes	2,073,229	5,971,301	1,399,461	726,917	205,092	129,086	20,042	10,525,128	1,716,207	50,268	1,766,475	12,291,603	12,952,347
Others	3,799,665	6,304,446	2,056,284	1,239,422	380,741	206,593	70,516	14,057,667	1,568,556	96,081	1,664,637	15,722,304	14,933,185
Total Salaries and Employee Benefits	29,482,092	65,236,858	17,961,838	11,349,105	3,022,374	1,961,049	357,396	129,370,712	16,009,934	841,184	16,851,118	146,221,830	150,882,992
Other Expenses													
Transportation and workers' expenses	314,762	368,268	116,263	37,005	21,241	10,455	620	868,614	131,535	1,582	133,117	1,001,731	625,422
Allowances and activities - parents and children	198,810	1,308,342	1,195,578	27,269	1,408	73,662	16,158	2,821,227	10,547	-	10,547	2,831,774	1,599,190
Tuition, school expenses, and camp fees	2,711	-	122,426	-	-	-	-	125,137	-	-	-	125,137	19,174
Purchase of services	1,173,902	4,987,803	233,863	524,877	77,618	16,147	956,229	7,970,439	1,585,942	307	1,586,249	9,556,688	8,244,335
Food	57,758	1,817,483	1,098,504	704	85	24,870	37,743	3,037,147	-	-	-	3,037,147	3,002,540
Clothing, bedding, and linen	18,182	151,142	48	-	-	522	-	169,894	-	-	-	169,894	142,248
Supplies and equipment	288,167	1,060,208	2,299,825	49,586	24,270	9,577	51,508	3,783,141	89,900	24,473	114,373	3,897,514	3,536,079
Rent, utilities, and real estate taxes	1,584,460	4,837,721	1,385,542	738,033	28,564	20,497	614,983	9,209,800	61,833	-	61,833	9,271,633	10,889,701
Rental of furnishing, equipment, and vehicles	77,175	1,229,606	72,003	676	-	-	79,123	1,458,583	185,113	226	185,339	1,643,922	1,643,770
Repairs and maintenance - plant, equipment, and vehicles	723,239	3,597,845	4,384,351	290,368	59,175	15,714	763,985	9,834,677	1,037,806	34,182	1,071,988	10,906,665	7,291,674
Communications	419,552	785,956	262,264	128,293	26,723	20,596	17,655	1,661,039	177,073	9,152	186,225	1,847,264	1,969,587
Dues, licenses, and permits	16,562	29,295	908,522	8,578	-	-	4,720	967,677	28,492	4,764	33,256	1,000,933	239,716
Office supplies	117,630	133,694	144,429	43,679	9,074	18,400	9,020	475,926	101,527	2,759	104,286	580,212	660,112
COVID-19-related expenses	2,114	7,932	3,312	287	-	-	-	13,645	11,038	-	11,038	24,683	202,768
Administrative expenses	248,912	363,088	140,080	38,841	10,518	58,545	31,941	891,925	421,928	23,838	445,766	1,337,691	2,702,443
Professional services	971,851	349,745	829,422	289,248	204,827	173,369	38,691	2,857,153	5,639,693	25,908	5,665,601	8,522,754	8,983,802
Staff development	73,913	41,885	404,627	18,065	10,341	36,752	3,081	588,664	231,449	5,988	237,437	826,101	-
Insurance	42,043	943,408	315,443	71,581	-	-	174,067	1,546,542	2,078,239	-	2,078,239	3,624,781	3,234,709
Interest and bank charges	21	355,130	28,310	-	-	-	964,013	1,347,474	1,003,542	19,258	1,022,800	2,370,274	1,083,632
Boarding home and clothing pass-through	9,514,121	-	-	-	-	-	-	9,514,121	-	-	-	9,514,121	6,946,273
Boarding payment - special	260,387	-	18,121	-	-	-	-	278,508	-	-	-	278,508	243,413
Donated services	-	-	2,152,977	-	-	-	-	2,152,977	-	355,966	355,966	2,508,943	1,852,805
Bad debt expense	-	-	-	-	-	-		-	-	-	-	-	985,628
Depreciation	607,060	981,868	113,222	335,105	141,884	28,839	1,465,819	3,673,797	1,602,764	2,034	1,604,798	5,278,595	5,520,442
Total Operating Expenses	$ 46,195,424	$ 88,587,277	$ 34,190,970	$ 13,951,300	$ 3,638,102	$ 2,468,994	$ 5,586,752	$ 194,618,819	$ 30,408,355	$ 1,351,621	$ 31,759,976	$226,378,795	$ 222,502,455

See accompanying notes to consolidated financial statements.

The New York Foundling and Affiliate

Consolidated Statement of Cash Flows
(with summarized comparative totals for 2022)

Year ended June 30,		2023		2022
Cash Flows from Operating Activities				
Change in net assets	$	**(2,246,889)**	$	(9,395,833)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:				
Depreciation and amortization		**5,278,595**		5,520,442
Interest expense related to deferred financing costs		**125,272**		107,422
Noncash operating lease right-of-use assets expense		**3,173,723**		3,498,147
Bad debt expense		**-**		985,628
PPP loan forgiveness		**-**		(10,000,000)
Net realized and unrealized loss on investments		**2,474,199**		16,582,756
Change in unfunded pension obligation		**14,867**		(34,167)
Changes in assets and liabilities:				
Accounts and grants receivable		**(5,393,982)**		7,454,787
Notes receivable		**60,000**		60,000
Prepaid expenses, deposits, and other assets		**(463,409)**		241,069
Assets limited or restricted as to use		**419,320**		420,430
Accounts payable and accrued expenses		**118,567**		(4,450,658)
Accrued pension liabilities		**(73,849)**		(207,914)
Due to governmental agencies		**(1,800,116)**		870,778
Accrued pension obligation		**(8,667)**		-
Principal reduction in operating lease liabilities		**(3,028,673)**		(3,121,940)
Net Cash (Used in) Provided by Operating Activities		**(1,351,042)**		8,530,947
Cash Flows from Investing Activities				
Purchase of investments		**(11,784,690)**		(134,903,919)
Proceeds from sale of investments		**769,616**		126,439,182
Purchases of fixed assets		**(3,547,820)**		(6,443,482)
Net Cash Used in Investing Activities		**(14,562,894)**		(14,908,219)
Cash Flows from Financing Activities				
Proceeds from line of credit		**8,000,000**		12,000,000
Payments on line of credit		**(6,000,000)**		(6,000,000)
Principal payments of loans payable		**(1,900,001)**		(1,899,999)
Proceeds from mortgages payable		**16,800,000**		-
Principal payments of mortgages payable		**(607,040)**		(317,519)
Deferred financing costs		**(693,593)**		-
Principal payment of bonds payable		**(451,385)**		(5,908,974)
Net Cash Provided by (Used in) Financing Activities		**15,147,981**		(2,126,492)
Net Decrease in Cash and Cash Equivalents		**(765,955)**		(8,503,764)
Cash and Cash Equivalents, beginning of year		**10,057,766**		18,561,530
Cash and Cash Equivalents, end of year	$	**9,291,811**	$	10,057,766
Supplemental Disclosures During Cash Flow Information				
Cash paid during the year for interest	$	**2,097,956**	$	772,337
Right-of-use assets obtained in exchange for operating lease liabilities		**1,205,526**		-

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; 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 (the Code) and has been classified as a publicly supported charitable organization under Section 509(a)(1) of the Code 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.

In 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. Thrive surrendered its programmatic licenses to the State and through an auspice change process involving New York State, the Foundling was issued licenses to operate programs previously operated by Thrive. Thrive ceased operations in 2022 and has no activity for the year ended June 30, 2023. Thrive is in the process of liquidating its assets and liabilities and upon completion, will formally file for dissolution with the New York State Attorney General.

2. Principles of Consolidation

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

3. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying 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 are presented in order of liquidity or conversion to cash and their maturity resulting in the use of cash, respectively.

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 the two classes of net assets—with donor restrictions and without donor restrictions—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:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations and are, therefore, available for the general operations of the Organization.

With Donor Restrictions - Net assets whose use is limited by donor-imposed, time and/or purpose restrictions. The Organization reports gifts of cash and other assets as revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires—that is, when a stipulated time restriction ends, or purpose restriction is accomplished—the net assets are reclassified as net assets without donor restrictions and reported in the consolidated statement of activities as net assets released from restrictions.

Some net assets with donor restrictions include a stipulation that assets provided be maintained permanently (perpetual in nature), while permitting the Organization to expend the income generated by the assets in accordance with the provisions of additional donor-imposed stipulations or a Board-approved spending policy. At June 30, 2023, the Organization has net assets with donor restrictions held in perpetuity of $3,964,542. See Note 17 for further discussion of net assets with donor restrictions held in perpetuity.

Cash and Cash Equivalents

The Organization considers all highly liquid financial instruments with maturity dates of three months or less from the date purchased to be cash equivalents, excluding assets whose use is limited or restricted as to use.

Accounts and Grants Receivable

Accounts and grants 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. Actual results could differ from those estimates.

Consumer Funds

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

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, certificates of deposit, and investments in limited partnerships. 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. Investments in certificates of deposit are carried at cost plus accrued interest.

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 be privately held or the limited partnership may own a relatively large portion of the issuers' equity securities.

Contributions, Promises to Give, and In-Kind Contributions

Contributions and promises to give are recorded as revenue at the time they are made or pledged unconditionally and supported by a written commitment. Contributions are classified as either with or without donor restrictions. Contributions are nonexchange transactions in which no commensurate value is exchanged. Therefore, contributions fall under the purview of ASC Topic 958, *Not-for-Profit Entities*.

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 Organization uses the allowance method to determine uncollectible unconditional pledge receivables.

In-kind contributions are reported in the consolidated 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 for the fiscal year ended June 30, 2023 totaled $2,508,942, which consisted of $2,152,977 for personnel services, donated space, and other goods and services to support the Puerto Rico Head Start program, and $355,965 to support other programs within New York City.

Assets Limited or Restricted as to Use

Assets limited or restricted 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. Amounts required to meet current liabilities of The Foundling have been classified as current assets in the consolidated statement of financial position at June 30, 2023.

Fixed Assets

Fixed assets are carried at cost, less accumulated depreciation and amortization or, if donated, at fair market value at date of the gift. The Organization capitalizes fixed assets that have a cost of $1,000 or more and useful life of more than a year. Leasehold improvements are amortized over the shorter of the lease term or the estimated useful lives of the related assets.

Depreciation and amortization is computed using the straight-line method over the respective assets' estimated useful lives, described below:

Asset Category	Years
Buildings and improvements	10-30
Equipment, furniture and signs	3-10
Vehicles	4

Impairment of Long-Lived Assets

The Organization reviews 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, 2023, 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 line of credit, loan, mortgage, or bond payable in the consolidated statement of financial position.

Revenue Recognition

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, 2022 remain subject to audit by ACS.

Government and Other Grants and Contracts

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 longer subject to such audits, reviews, and investigations. Government and other grant funds received in excess of revenue earned are recorded as deferred revenue. Upon termination, the unexpended cash funds received under the terms of the grant provisions revert to the grantor.

Fee-for-Service and Per-Diem Revenue

Fee-for-service and per-diem revenue is generated from foster care services, services to individuals with developmental disabilities, mental health services, and other services. Fee-for-service and per-diem revenue is recorded at the amount that reflects the consideration to which the Organization expects to be entitled in exchange for providing services. These amounts are due from third-party payors (including government programs and health insurers), and others, and include an estimate for variable consideration for retroactive revenue adjustments due to rate changes, settlement of audits and disallowances, reviews, and investigations. Generally, the Organization submits both fee-for-service and per-diem claims to third-party payors electronically through a state-wide system several days after the services are performed.

Revenue is recognized as performance obligations are satisfied over time based on actual charges incurred in relation to total expected (or actual) charges. The Organization measures revenue from the commencement of services to the continuation of services, and until services are no longer required. The Organization believes that this method provides a reasonable representation of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation.

As substantially all of its performance obligations relate to established rate agreements with a duration of less than one year, the Organization has elected, as part of its adoption of the revenue standard, to apply the optional exemption provided in Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Throughout the year, rates may vary as determined by New York State, and the Organization will record additional revenue resulting from a rate increase and record a reduction of revenue with a rate decrease. These rate adjustments represent variable consideration in the form of explicit or implicit price concessions and the Organization considers these amounts in determination of the transaction price. The Organization determines its estimates of contractual adjustments based on contractual agreements, its policies, and historical experience. The Organization determines its estimates of explicit or implicit price concessions and contractual adjustments based on its historical collection experience.

Laws and regulations governing Medicaid programs are subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Additionally, noncompliance with such laws and regulations could result in fines, penalties, and exclusion from Medicaid programs. The Organization is not aware of any allegations of noncompliance that could have a material adverse effect on the accompanying consolidated financial statements and believes that it is in compliance with all applicable laws and regulations.

As a practical expedient, the Organization utilizes the portfolio approach for analyzing the revenue contracts in accordance with Topic 606. The Organization accounts for the contracts within each portfolio collectively, rather than individually, based on each revenue stream. The Organization considers the similar nature and characteristics of the contract and customers in using the portfolio approach. The Organization believes that the use of the portfolio approach to analyze contracts will not differ materially than if the contracts were analyzed individually.

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

Year ended June 30, 2023	
NYC ACS	$ 9,410,782
NYS Medicaid	102,617,372
Medicaid Managed Care	905,391
Medical - Commercial (Private)	125,016
Total	$ 113,058,561

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

Year ended June 30, 2023	
Foster Care	$ 9,410,782
Article 29i	5,755,476
NYS OPWDD	96,370,870
Article 31	1,058,527
NYS Medicaid	462,906
Total	$ 113,058,561

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. Specifically, the Organization classifies the portion of the Donor Fund that is not classified as with donor restrictions (time-restricted) until appropriated for expenditure by the Organization. If the endowment fund is also subject to a purpose restriction, the reclassification of the appropriated amount to without donor restrictions does not occur until the purpose also has been met.

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.

Investment and Spending Policies

The Organization has adopted investment and spending policies for net assets with donor restrictions - in perpetuity 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. The Donor Fund includes those assets of donor-restricted funds that the Organization must hold in perpetuity. The Organization'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 Organization is mindful of each investment manager's strategies and the liquidity of each manager's investment portfolio.

The Organization 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.
- The investment and spending policies of the Organization'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 Organization.

Income Taxes

The Foundling is exempt from federal income tax under Section 501(c)(3) of the Code and private foundation excise tax, pursuant to a group exemption issued to the Roman Catholic Church in the United States.

Thrive is exempt from federal income tax under Section 501(c)(3) of the Code and comparable New York State law. Thrive has been classified as a publicly supported organization, which is not a private foundation under Section 509(a) of the Code.

The Organization has not taken any unsubstantiated tax positions that would require provision of a liability under ASC 740, *Accounting for Uncertainty in Income Taxes*. Under ASC 740, an organization must recognize the tax liability associated with uncertain tax positions taken for tax return purposes when it is more likely than not that the position will not be sustained upon examination by a taxing authority. The Organization does not believe that there are any material uncertain tax positions and, accordingly, has not recognized any liability for unrecognized tax benefits. The Organization 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, 2023, there was no interest or penalties recorded or included in the consolidated financial statements. The Organization is subject to routine audits by taxing authorities. As of June 30, 2023, the Organization was not subject to any examination by a taxing authority. There was no unrelated business income from an unrelated trade or business for the year ended June 30, 2023.

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. None of the Organization's deposits are held in financial institutions which have experienced liquidity issues. The Organization has not experienced any losses in such accounts and management does not believe the Organization is exposed to any significant credit risk with respect to cash and cash equivalents.

Risks and Uncertainties - Investments

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.

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.

Comparative Information

The consolidated financial statements include certain prior-year summarized comparative information. With respect to the consolidated statement of financial position and consolidated statement of activities, the prior-year information is presented in total, not by net asset class. With respect to the consolidated statement of functional expenses, the prior-year expenses are presented by expense classification rather than functional category. Such information does not include sufficient detail to constitute presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the Organization's consolidated financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Accounting Pronouncements Issued but Not Yet Adopted

Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables, and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of activities as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022. Early adoption is permitted for fiscal years beginning after December 15, 2018. Management is currently evaluating the impact of adopting this new guidance on its consolidated financial statements.

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, 2023	
Cash and cash equivalents	$ 9,291,811
Investments, at fair value, current portion	143,515,178
Accounts and grants receivable	34,218,618
Note receivable, current portion	60,000
Total Current Assets*	187,085,607
Less those unavailable for general expenditures within one year, due to:	
Restricted by donor for specific purpose or in perpetuity	(15,033,209)
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	$ 172,052,398

* 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 $4,000,000 available for general expenditure at June 30, 2023 on its line of credit.

5. Financial Instruments and Fair Value

The following table presents the Organization's fair value hierarchy for those investments measured at fair value on a recurring basis:

June 30, 2023

Description	Level 1	Level 2	Level 3	Balance
Corporate and foreign equities	$ 102,454,314	$ -	$ -	$ 102,454,314
Publicly traded mutual funds	38,787,890	-	-	38,787,890
Certificates of deposit	-	4,345,187	-	4,345,187
Limited partnerships	-	-	32,913,874	32,913,874
Total Investments, at fair value	$ 141,242,204	$ 4,345,187	$ 32,913,874	$ 178,501,265

The following table sets forth changes in the assets measured at fair value using Level 3 inputs on a recurring basis:

Description	Balance, July 1, 2022	Purchases	Sales	Realized Gain	Net Unrealized Gain	Transfers	Balance, June 30, 2023
Limited partnerships	$ 31,487,436	$ 121,163	$ (769,616)	$ 338,622	$ 5,213,453	$ (3,477,184)	$ 32,913,874

The following table summarizes the fair value measurements of investment funds that calculate net assets per share (or its equivalent):

June 30, 2023	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships:				
Hedge fund	$ 16,104,731	$ 13,860,000	Quarterly	45 days prior written notice
Private equity[a]	16,809,143	32,350,000	N/A	N/A
Total	$ 32,913,874	$ 46,210,000		

[a] Redemption not permitted; distributions require liquidation of underlying assets.

The following table summarizes information about Level 3 fair value measurements:

Description	Fair Value, June 30, 2023	Valuation Technique	Unobservable Input
Limited partnerships:			
Hedge fund	$ 16,104,731	Market comparable entities	Discount for lack of marketability[a]
Private equity	16,809,143	Market comparable entities	Discount for lack of marketability[a]
	$ 32,913,874		

[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, 2023	
Realized gain	$ 5,123,201
Unrealized loss	(7,597,400)
Interest and dividends	10,093,526
Investment management fees	(724,688)
Total Net Gain from Investments	$ 6,894,639

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.

Certificates of Deposit

The Organization's holdings in certificates of deposit consist of time deposits with a financial institution that have an original maturity date of greater than three months at the date of purchase. Investments in certificates of deposit are valued at cost plus accrued interest. Management believes that the most appropriate classification for these investments is Level 2.

Limited Partnerships

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

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.

Given the absence of market quotations, their fair value is estimated using information provided to the Organization 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 Organization 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 consolidated financial statements contain varying degrees of risk, the Organization's exposure with respect to each such investment is limited to the amount of the Organization'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 Organization 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 Organization'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 0.08% to 2% plus an incentive allocation, usually 20% of profits.

6. Accounts and Grants Receivable

Accounts and grants receivable consist of the following:

June 30, 2023		
Accounts receivable:		
Foster Care	$	8,721,184
Development Disabilities		9,330,477
Article 31 and 29i		1,070,820
NYC ACS Preventive Services		4,977,741
Puerto Rico Head Start, Early Head Start, and other related		923,149
NYC ACS Programs		1,858,129
Fostering College Success Initiative (DORM Project)		1,640,716
Family Assessment Programs		468,292
School Based Mental Health		411,683
NYC Department of Mental Hygiene		722,152
College Bound Tutoring fee		319,485
Contribution receivable		612,797
Grant receivable		440,932
Insurance proceeds receivable		909,875
Other		1,811,186
	$	34,218,618

7. Notes Receivable

In 2007, the New York Foundling Charitable Corporation (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 interest on the unpaid principal balance at the rate incurred by The Foundling on its outstanding debt, and the principal is being repaid at $5,000 per month. As a result of the merger of NYFCC, the note was transferred to The Foundling. As of June 30, 2023, the balance of the note receivable amounted to $480,000.

8. Assets Limited or Restricted as to Use

Assets limited or restricted as to use are as follows:

June 30, 2023		
Gift annuity	$	93,958
Deferred compensation investments		482,175
		576,133
Less: current portion		(137,353)
	$	438,780

9. Fixed Assets, Net

Fixed assets, net, consist of the following:

June 30, 2023	
Land	$ 8,227,050
Buildings and improvements	84,578,113
Equipment, furniture, and signs	14,426,162
Vehicles	147,892
Leasehold improvements	36,240,284
	143,619,501
Less: accumulated depreciation	(71,331,983)
	72,287,518
Construction-in-progress	6,770,751
	$ 79,058,269

The estimated cost to complete construction-in-progress is $11,600,000. 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, 2023 totaled $5,278,595.

10. Leases

The Organization has adopted ASU 2016-02, *Accounting for Leases (Topic 842)*, effective July 1, 2020. The Organization leases certain property under operating leases. Leases are classified as either finance or operating leases based on the underlying terms of the agreement and certain criteria, such as the term of the lease relative to the useful life of the asset and the total lease payments to be made as compared to the fair value of the asset, amongst other criteria. Finance leases result in an accounting treatment similar to an acquisition of the asset.

For leases with initial terms greater than a year, the Organization records the related right-of-use assets and liabilities at the present value of the lease payments to be paid over the life of the related lease. The Organization's leases may include variable lease payments and renewal options. Variable lease payments are excluded from the amounts used to determine the right-of-use assets and liabilities unless the variable lease payments depend on an index or rate or are in substance fixed payments. Lease payments related to periods subject to renewal options are also excluded from the amounts used to determine the right-of-use assets and liabilities unless the Organization is reasonably certain to exercise the option to extend the lease. The present value of lease payments is calculated by utilizing the discount rate stated in the lease, when readily determinable. For leases for which this rate is not readily available, the Organization has elected to use a risk-free discount rate determined using a period comparable with that of the lease term. The Organization has made an accounting policy election not to separate lease components from non-lease components in contracts when determining its lease payments for all of its asset classes, as permitted by ASU 2016-02. As such, the Organization accounts for the applicable non-lease components together with the related lease components when determining the right-of-use assets and liabilities.

The Organization has made an accounting policy election not to record leases with an initial term of less than a year as right-of-use assets and liabilities.

The following tables summarize information related to the lease assets and liabilities:

Year ended June 30, 2023		
Lease costs:		
Operating lease cost	$	3,466,368
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases		3,321,318
Right-of-use assets obtained in exchange for operating lease obligations		1,205,526
Weighted-average remaining lease term - operating leases		11.45 years
Weighted-average discount rate - operating leases		1.15%

June 30, 2023		
Right-of-use assets and liabilities:		
Right-of-use assets - operating leases	$	20,686,380
Lease liability - operating leases		23,081,201

For operating leases, right-of-use assets - operating leases and operating lease liabilities are recorded in the accompanying consolidated statement of financial position.

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, 2023:

Year ending June 30,		
2024	$	3,012,547
2025		2,356,209
2026		2,228,902
2027		2,281,146
2028		2,333,348
Thereafter		12,563,834
Total Lease Payments		24,775,986
Less: imputed interest		(1,694,785)
Total Operating Lease Liabilities		23,081,201
Less: current portion		(3,012,547)
	$	20,068,654

Total rental expense charged to operations for the year ended June 30, 2023 totaled $10,915,555.

11. Due to Governmental Agencies

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

June 30, 2023		
NYC ACS Foster Care	$	6,774,799
NYC ACS Family Day Care		609,439
NYC ACS Preventive and others		678,944
NYS OPWDD		1,445,527
	$	9,508,709

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 June 1, 2024. The remaining principal balance is due on June 20, 2024. Interest is payable on a monthly basis at the London Interbank Offered Rate (LIBOR) plus 155 basis points, which was 3.263% at June 30, 2023. The loan is secured by the office building.

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 3.363% at June 30, 2023. The loan is secured by the office building.

Future minimum annual principal payments on the loans payable discussed above are as follows:

Year ending June 30,		
2024	$	7,933,334
2025		875,000
		8,808,334
Less: unamortized balance of deferred financing costs		(152,786)
		8,655,548
Less: current portion of loans payable and deferred financing costs		(7,847,239)
	$	808,309

13. Mortgages Payable, Net

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

June 30, 2023		
(a) 34 Beechmont Drive	$	380,494
(b) 2 Sylvia Lane		324,168
(c) Brooklyn facilities:		
337A Macon St.		1,621,296
2112 Canarsie Road		1,322,087
8 Schenck		929,598
East 38th St.		1,499,060
1663 Union Street		1,501,365
(d) 170 Brown Place		16,507,692
		24,085,760
Less: unamortized balance of deferred financing costs		(777,782)
	$	23,307,978

(a) 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.

(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 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 3.66% per annum. The mortgage is secured by the property located at 2 Sylvia Lane.

(c) In August 2020, The Foundling entered into five mortgage agreements with a financial institution to finance the operation of facilities for developmentally disabled individuals. The principal amounts shall bear interest at the rate of 3.64% per annum. Monthly payments of principal and interest range from $2,060 to $5,320, which are due on the first day of each month. The mortgages are secured by the related properties in Brooklyn, New York.

(d) On July 6, 2022, The Foundling entered into a loan agreement in the amount of $16,800,000 with a financial institution to finance capital projects, pay-off the outstanding balance of the line of credit and the remaining proceeds were transferred into the investment account. Principal payments are to be paid in monthly installments of $106,970, which are due on the first business day of each month through July 6, 2037, the maturity date. Interest is payable on a monthly basis at 5.79%. The loan is secured by the property located at 170 Brown Place, Bronx, New York, and a general revenue pledge.

Future principal payments are as follows:

Year ending June 30,		
2024	$	700,774
2025		736,467
2026		771,178
2027		807,634
2028		785,171
Thereafter		20,284,536
		24,085,760
Less: unamortized balance of deferred financing costs		(777,782)
		23,307,978
Less: current portion of loans payable and deferred financing costs		(679,447)
	$	22,628,531

14. Bonds Payable, Net

Rockland County Economic Assistance Corporation (RCEAC) Revenue Bonds

RCEAC revenue bonds maturing every first day 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. At June 30, 2023, $749,859 of the bonds remains outstanding.

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
2024	$	465,554	$	16,102
2025		91,476		7,279
2026		94,729		4,491
2027		98,100		1,603
		749,859		29,475
Less: unamortized balance of deferred financing costs		(30,082)		-
		719,777		29,475
Less: current portion of loans payable and deferred financing costs		(447,704)		-
	$	272,073	$	29,475

The bond agreement provides for certain covenants, including maintenance of minimum liquidity and debt service coverage ratios. At June 30, 2023, The Foundling was in compliance with the minimum liquidity ratios but was not in compliance with the debt service coverage ratio requirement. For the fiscal year ended June 30, 2023, the Foundling received a waiver from the financial institution for the covenant violation.

15. Line of Credit

In June 2014, The Foundling obtained a $5,000,000 line of credit from a financial institution. This line of credit is secured by accounts receivable of the Organization. The line of credit has been amended multiple times from 2014 through 2021 to expand and/or reduce the maximum amount available to The Foundling. As of June 30, 2023, the current maximum amount available to be utilized by The Foundling on the line of credit is $12,000,000. The interest rate on the line of credit is 4.50%. As of June 30, 2023, $8,000,000 was outstanding on the line of credit. As of June 30, 2023, the unamortized balance of deferred financing costs associated with the line of credit is $143,334 and are netted against the outstanding amount on the line of credit in the consolidated statement of financial position.

The line of credit, loans payable and mortgages payable are all held with one financial institution. The line of credit, loans payable and mortgages payable agreements provide for certain covenants, including maintenance of minimum liquidity ratio. At June 30, 2023, The Foundling was in compliance with the minimum liquidity ratio for the line of credit, loans payable and mortgages payable.

16. Post Retirement Plans

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, 2023, the employer contribution expense was $3,297,393.

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, 2023, The Foundling had an unfunded pension obligation of $6,200. This amount represents the excess of the projected benefit obligation, adjusted for previously recorded pension cost liabilities. The Foundling recorded a decrease to net assets without donor restriction of $14,867 for the year ended June 30, 2023 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, 2023		
Restricted for specific purpose:		
Foster care deaf service	$	4,873,048
Foster youth educational support		1,821,972
Head Start		1,389,180
Training and workshop		557,082
Mott Haven Scholarship		1,349,088
In-house mentored internship		100,000
Healthy Families		50,000
School based mental health		80,556
Integrated Behavioral Health		58,334
YV Life set		103,000
Other programs		686,407
Total Restricted for Specific Purpose		11,068,667
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
Other funds		221,289
General operating support		1,962,792
Nursing training program purposes		200,000
Total Restricted in Perpetuity - Donor Fund		3,964,542
Total Net Assets with Donor Restrictions	$	15,033,209

Net assets with donor restrictions were released from their restriction by incurring expenses for the following purposes:

June 30, 2023		
Released for specific purpose:		
Foster Care deaf services	$	260,796
Foster youth educational support		1,738,764
School-based mental health		59,444
Training and workshop		64,575
In-house mentored internship		111,256
YV Life set		103,500
Integrated Behavioral Health		616,666
Healthy Families		175,000
Mott Haven Scholarship		25,000
Other programs		590,284
Total Net Assets Released from Donor Restrictions	$	3,745,285

All assets included in The Foundling's net assets with donor restrictions in perpetuity are as follows:

June 30, 2023		
Donor fund:		
Cash and cash equivalents	$	185,586
Short-term investments		250,611
Publicly traded mutual funds		345,655
Limited partnerships		3,182,690
Total Net Assets with Donor Restrictions - in Perpetuity	$	3,964,542

The following table provides a reconciliation of the changes in The Foundling's net assets with donor restrictions - in perpetuity:

Year ended June 30, 2023		Restricted for a Specific Purpose		Restricted in Perpetuity		Total
Endowment Net Assets, beginning of year	$	2,482,142	$	3,964,542	$	6,446,684
Investment income, net		146,008		-		146,008
Appropriation of endowment assets for expenditure		(60,252)		-		(60,252)
Endowment Net Assets, end of year	$	2,567,898	$	3,964,542	$	6,532,440

18. Commitments and Contingencies

Litigation

The Organization is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management and the Organization's legal counsel, the ultimate 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. New York State Health Care and Mental Hygiene Worker Bonus Program

In August 2022, the New York State Department of Health established the New York State Health Care and Mental Hygiene Worker Bonus Program (the HWB Program) for the payment of bonuses for certain frontline health care workers. The HWB Program allows for the payment of bonuses to recruit, retain and reward health care workers who met specified eligibility requirements. Bonus amounts are commensurate with the number of hours worked by each eligible employee during designated vesting periods for up to a maximum amount of $3,000 per eligible employee. Qualified employers are required to claim their bonus on behalf of their eligible employees. Both the qualified employers and eligible employees are required to submit an attestation form.

During the year ended June 30, 2023, The Foundling received $1,985,500 from the HWB Program. As of June 30, 2023, all funds received under the HWB Program have been distributed to eligible employees. The funds received under the HWB Program were accounted for as an agency transaction in accordance with ASC 958-605. As such, no revenues or expenditures are recognized in the accompanying consolidated statement of activities for the HWB Program.

20. Subsequent Events

The Organization has performed subsequent events procedures through December 1, 2023, 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.

Supplementary Information

The New York Foundling and Affiliate

Consolidating Schedule of Financial Position
(with summarized comparative totals for 2022)

June 30,	The Foundling	Thrive	Eliminations	2023	2022
Assets					
Current					
Cash and cash equivalents	$ 8,891,070	$ 400,741	$ -	$ **9,291,811**	$ 10,057,766
Investments, at fair value, current portion (Note 5)	143,515,178	-	-	**143,515,178**	154,112,038
Accounts and grants receivable, net (Note 6)	34,211,745	6,873	-	**34,218,618**	28,824,636
Notes receivable, current portion (Note 7)	60,000	-	-	**60,000**	60,000
Prepaid expenses, deposits, and other assets	2,130,325	-	-	**2,130,325**	1,666,916
Due from affiliates	507,834	-	(507,834)	**-**	-
Consumer funds	733,151	-	-	**733,151**	473,854
Assets limited or restricted as to use, current portion (Note 8)	137,353	-	-	**137,353**	137,353
Total Current Assets	190,186,656	407,614	(507,834)	**190,086,436**	195,332,563
Investments, at fair value, net of current portion (Note 5)	34,986,087	-	-	**34,986,087**	15,848,352
Notes Receivable, net of current portion (Note 7)	420,000	-	-	**420,000**	480,000
Assets Limited or Restricted as to Use, net of current portion (Note 8)	438,780	-	-	**438,780**	858,100
Right-of-Use Assets - Operating Leases (Note 10)	20,686,380	-	-	**20,686,380**	22,654,577
Fixed Assets, Net (Note 9)	79,058,269	-	-	**79,058,269**	80,789,044
Total Assets	$ 325,776,172	$ 407,614	$ (507,834)	$ **325,675,952**	$ 315,962,636

The New York Foundling and Affiliate

Consolidating Schedule of Financial Position
(with summarized comparative totals for 2022)

June 30,

Liabilities and Net Assets	The Foundling	Thrive	Eliminations	2023	2022
Current Liabilities					
Accounts payable and accrued expenses, current portion	$ 28,146,348	$ 1,321,287	$ -	$ 29,467,635	$ 26,457,534
Line of credit, net of deferred financing costs (Note 15)	7,856,666	-	-	7,856,666	6,000,000
Accrued pension liabilities	-	-	-	-	73,849
Consumer funds	733,151	-	-	733,151	473,854
Due to affiliate	-	507,834	(507,834)	-	-
Due to governmental agencies (Note 11)	9,428,478	80,231	-	9,508,709	11,308,825
Loans payable, current portion, net of deferred financing costs (Note 12)	7,847,239	-	-	7,847,239	1,813,905
Mortgages payable, current portion, net of deferred financing costs (Note 13)	679,447	-	-	679,447	332,947
Bonds payable, current portion, net of deferred financing costs (Note 14)	447,704	-	-	447,704	433,535
Operating lease liabilities, current portion (Note 10)	3,012,547	-	-	3,012,547	2,523,631
Total Current Liabilities	58,151,580	1,909,352	(507,834)	59,553,098	49,418,080
Accounts Payable and Accrued Expenses, net of current portion	-	-	-	-	2,891,534
Accrued Pension Obligation (Note 16)	6,200	-	-	6,200	-
Loans Payable, net of current portion and deferred financing costs (Note 12)	808,309	-	-	808,309	8,655,549
Mortgages Payable, net of current portion and deferred financing costs (Note 13)	22,628,531	-	-	22,628,531	7,311,003
Bonds Payable, net of current portion and deferred financing costs (Note 14)	272,073	-	-	272,073	719,777
Operating Lease Liabilities, net of current portion (Note 10)	20,068,654	-	-	20,068,654	22,380,717
Total Liabilities	101,935,347	1,909,352	(507,834)	103,336,865	91,376,660
Commitments and Contingencies (Note 18)	-	-	-		
Net Assets (Deficit)					
Without donor restrictions	208,807,616	(1,501,738)	-	207,305,878	210,239,192
With donor restrictions (Note 17)	15,033,209	-	-	15,033,209	14,346,784
Total Net Assets (Deficit)	223,840,825	(1,501,738)	-	222,339,087	224,585,976
	$ 325,776,172	$ 407,614	$ (507,834)	$ 325,675,952	$ 315,962,636

The New York Foundling and Affiliate

Consolidating Schedule of Activities
(with summarized comparative totals for 2022)

Year ended June 30,

	The Foundling			Thrive				Totals	
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total	Eliminations	2023	2022
Program Revenue									
Fee-for-service revenue	$ 113,058,561	$ -	$ 113,058,561	$ -	$ -	$ -	$ -	$ 113,058,561	$ 116,703,240
Government and other grants and contracts	85,157,238	-	85,157,238	-	-	-	-	85,157,238	64,105,706
OPWDD workforce stabilization	863,496	-	863,496	-	-	-	-	863,496	17,939,396
Contributions	1,620,006	4,234,702	5,854,708	-	-	-	-	5,854,708	6,240,572
Special events, net of direct expenses	590,655	1,000	591,655	-	-	-	-	591,655	657,941
Rental income	1,134,956	-	1,134,956	-	-	-	-	1,134,956	1,302,136
CARES Act Relief Fund	2,118,257	-	2,118,257	-	-	-	-	2,118,257	1,190,456
Other program revenue	4,288,319	-	4,288,319	-	-	-	-	4,288,319	3,759,084
In-kind contributions	2,508,942	-	2,508,942	-	-	-	-	2,508,942	1,852,805
Net assets released from restrictions (Note 17)	3,745,285	(3,745,285)	-	-	-	-	-	-	-
Total Program Revenue	215,085,715	490,417	215,576,132	-	-	-	-	215,576,132	213,751,336
Expenses									
Program services:									
Child Welfare	46,195,424	-	46,195,424	-	-	-	-	46,195,424	41,410,276
OPWDD services	88,587,277	-	88,587,277	-	-	-	-	88,587,277	97,294,834
Education	34,190,970	-	34,190,970	-	-	-	-	34,190,970	30,296,244
Health and Behavior Health	13,951,300	-	13,951,300	-	-	-	-	13,951,300	12,644,673
Juvenile Justice	3,638,102	-	3,638,102	-	-	-	-	3,638,102	3,744,188
Community Engagement Initiatives	2,468,994	-	2,468,994	-	-	-	-	2,468,994	2,201,474
Other programs	5,586,752	-	5,586,752	-	-	-	-	5,586,752	3,841,956
Total Program Services	194,618,819	-	194,618,819	-	-	-	-	194,618,819	191,433,645
Supporting services:									
Management and general	30,408,355	-	30,408,355	-	-	-	-	30,408,355	29,744,688
Fundraising	1,351,621	-	1,351,621	-	-	-	-	1,351,621	1,324,122
Total Supporting Services	31,759,976	-	31,759,976	-	-	-	-	31,759,976	31,068,810
Total Expenses	226,378,795	-	226,378,795	-	-	-	-	226,378,795	222,502,455
Change in Net Assets from Operations	(11,293,080)	490,417	(10,802,663)	-	-	-	-	(10,802,663)	(8,751,119)
Nonoperating Revenue (Expenses)									
Investment loss, net of fees (Note 5)	6,748,631	146,008	6,894,639	-	-	-	-	6,894,639	(13,126,786)
Legacies and bequests	604,301	50,000	654,301	-	-	-	-	654,301	918,155
Change in unfunded pension obligation	(14,867)	-	(14,867)	-	-	-	-	(14,867)	34,167
Gain (loss) from sale of properties	541,701	-	541,701	-	-	-	-	541,701	760,000
Gain from insurance proceeds	480,000	-	480,000	-	-	-	-	480,000	769,750
PPP loan forgiveness	-	-	-	-	-	-	-	-	10,000,000
Total Nonoperating Revenue (Expenses), Net	8,359,766	196,008	8,555,774	-	-	-	-	8,555,774	(644,714)
Change in Net Assets	(2,933,314)	686,425	(2,246,889)	-	-	-	-	(2,246,889)	(9,395,833)
Net Assets (Deficit), beginning of year	211,740,930	14,346,784	226,087,714	(1,501,738)	-	(1,501,738)	-	224,585,976	233,981,809
Net Assets (Deficit), end of year	$ 208,807,616	$ 15,033,209	$ 223,840,825	$ (1,501,738)	$ -	$ (1,501,738)	$ -	$ 222,339,087	$ 224,585,976